Infrastructure and Projects Authority

Assurance Workbook

Portfolios and portfolio management

Version 1.0

Date issued: 15 July 2021

Approved for internal government trial

Jointly reporting to HM Treasury and Cabinet Office

Contents

Introduction to portfolio reviews

What a portfolio assurance review provides

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

Portfolios, then, are key to business planning activities and their effective management and control are essential to ensuring overall value for money and maximising the successful delivery of government policy, strategy, and objectives.

To support portfolios, the Infrastructure and Projects Authority (IPA) has the mandate to periodically review departmental portfolios to provide assurance and practical recommendations for improvement. The review aims to provide a realistic view on a portfolio's ability to:

- manage the portfolio's strategic alignment and appropriate construction in line with delivery constraints;
- monitor and respond to performance and risk across the portfolio;
- build the right culture and processes to manage the portfolio; and
- understand and respond to the capability and capacity requirements of the portfolio.

These four areas form the foundation of the portfolio review and are individually assessed and rated. The portfolio is then rated overall.

The portfolio review gives independent guidance to Accounting Officers, senior leaders, and portfolio teams on how best to ensure their portfolios are successful.

For portfolios which include projects and programmes which form part of the Government Major Projects Portfolio, review outcomes may also be shared with HM Treasury and Cabinet Office leadership to further support successful delivery.

What a portfolio assurance review does not provide

A portfolio review does not give assurance on the likelihood of successful delivery of the portfolio as a whole or any individual project or programme in the portfolio. To do so would require a simultaneous assurance review of each project and programme in the portfolio immediately followed by the examination of the sequence and performance of these projects and programmes collectively. This would be a disproportionate and disruptive use of assurance resources.

When a portfolio will be reviewed

The IPA expects to review departmental portfolios every two to three years. However, the exact number of reviews completed each year, and which departmental portfolios are reviewed and when will depend on a number of factors which will need to be discussed with the organisations concerned (see section on the timing of a review).

Private and public organisations may wish to consider adapting this approach to initiate portfolio reviews of their own (see section on tailoring).

Who the portfolio assurance review is for

The approach outlined in this workbook has primarily been designed for the IPA led assurance of organisational level and formally governed portfolios in public bodies, such as departments or arm's length bodies, and will allow the IPA to complete its mandate to undertake assurance reviews of departmental portfolios on a periodic basis.

Organisational level could include a portfolio responsible for an entire department, a sub-portfolio, or a portfolio with responsibility for a business area under the leadership of a Director-General.

However, this approach can also be used as a basis for public or private sector organisations to commission their own reviews and health checks (see section on tailoring). A government department or arm's length body should consult with the IPA before commissioning their own portfolio review to avoid any duplication.

This approach can also be used to assure cross-government portfolios where multiple organisations are involved in delivering a strategy. However, this can only happen where formal governance for a cross-government portfolio, and not a cross-government programme, has been designed and implemented.

If any portfolio has not yet been fully implemented or there are concerns about the effectiveness of its governance, the IPA should be consulted about potential support activity before any assurance activity takes place on the portfolio.

The portfolio assurance review and the Functional Standard

The government functional standard on project delivery sets the expectations for the direction and management of portfolios, programmes, and projects in government. The standard applies to all government portfolios, programmes and projects in departments and arm's length bodies regardless of their sector or delivery method.

This standard provides the framework against which portfolios should be assured when being reviewed, with particular focus on sections that cover the expected portfolio management practices and practices which support their operation (see figure 1).

Portfolio assurance reviews and other assurance

Project and programme assurance reviews are IPA's assurance methodology for the assurance of projects and programmes which is anchored to the Five Case Business Case Model and looks to examine these projects and programmes prior to key decision points in their life cycle to provide assurance that they can progress successfully to the next stage.

While the process for completing project, programme and portfolio reviews is similar, the content and what they examine as part of the reviews, and the skills needed on the review team, are different. As such, a project or programme assurance review must never be used to assure a portfolio and a portfolio assurance review must never be used to assure a programme or project.

The completion of a portfolio review does not provide assurance against any individual project or programme in the portfolio and must not be used as a substitution for any project or programme's assurance review.

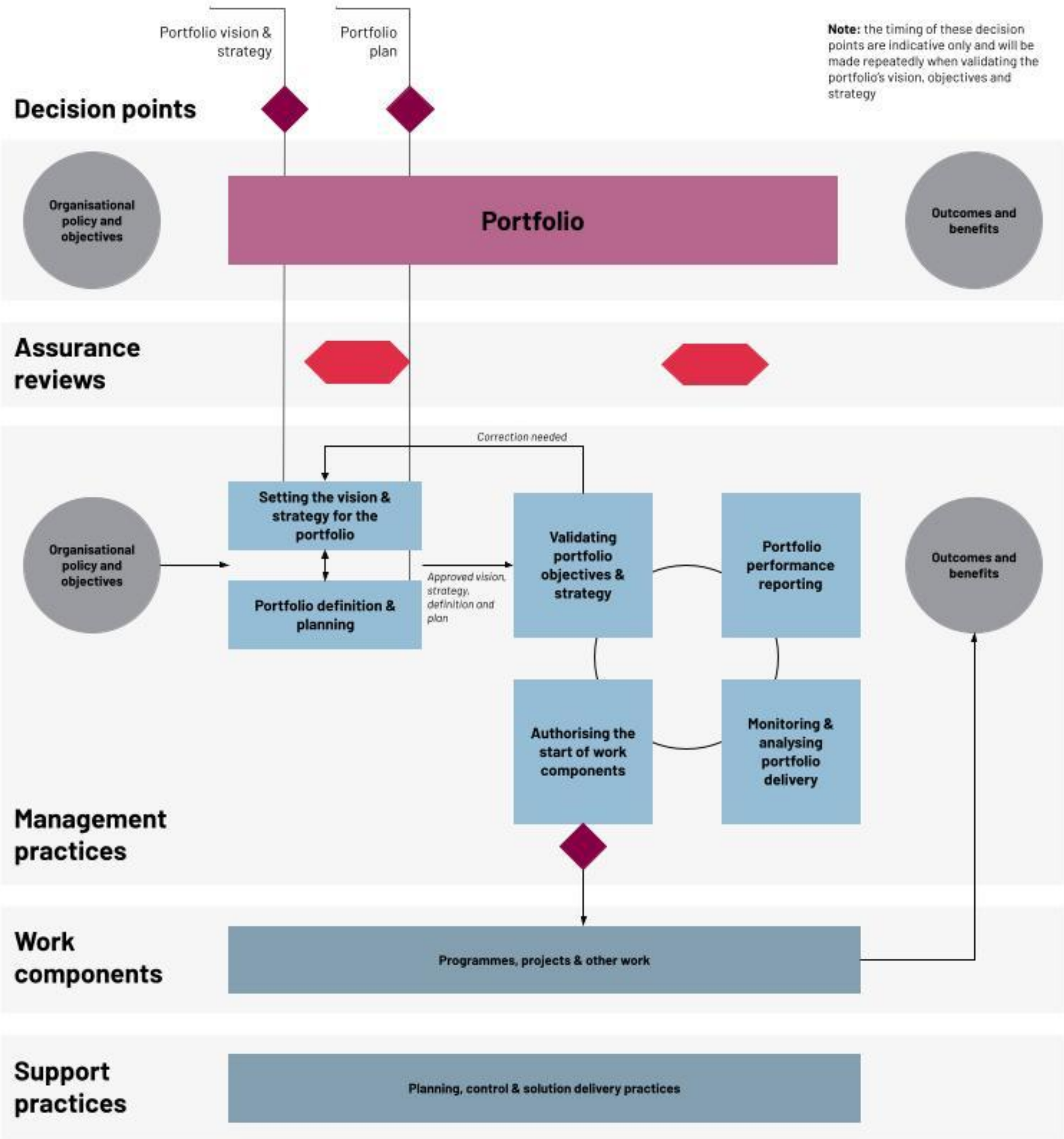

Figure 1 The portfolio management life cycle from GovS 002: Project Delivery Functional Standard

Portfolio assurance as part of the assurance framework

Every public sector body will have its own structure and resources for carrying out internal reviews, health checks and audits of their activities, including portfolios, programmes, and projects. The portfolio assurance review provides a snapshot view on the health of a portfolio at a single point in time and so should be seen as complementary to these internal processes, and not a replacement for them.

Organisations should have in place an effective framework to provide a suitable level of assurance for their portfolio and its programmes and projects.

In addition, Accounting Officers, Chief Portfolio Officers, and those involved in the leadership and management of portfolios should be aware of the extent and limitations of the various reviews – for example, the fact that a portfolio assurance review has taken place does not replace the need for a full audit opinion on the effectiveness of risk management, control, and governance in the audited area.

Further, none of these review processes are a substitute for a rigorous governance framework in the organisation to manage key processes including business planning, investment appraisal and business case management (including benefits management), programme and project management, risk management, procurement/acquisition, and service and contract management.

Tailoring the portfolio assurance review

This workbook is published by the UK Government and provides guidance on:

- The structure of the review;
- The areas of investigation to be addressed by the review team; and
- The expectation, as set by the functional standard for project delivery, for those areas of investigation.

These topics and the expectations should not be regarded as exhaustive. The review team should consider whether additional or different topics need to be addressed, and the evidence sought. Approaches may vary according to the context of the portfolio.

Organisations from outside the civil service are welcome to use this approach and adapt it as appropriate to fit their needs and organisational structure.

Government departments and arm's length bodies may wish to use and adapt this approach to initiate their own assurance reviews of the portfolio. For example, for organisations which have an annual business planning cycle, you could take the parts of this review that looks at strategic alignment and construction to support an annual validation of the portfolio's objectives and strategy. To avoid any duplication, departments and arm's length bodies should first consult with the IPA before initiating their own review.

Further, where the "hub and spoke" model for portfolio management has been adopted, hub portfolio offices may wish to adopt and tailor the content of this workbook to periodically review spoke portfolios.

Any tailoring should be clearly set in the Terms of Reference for the review so that expectations are set and agreed in advance.

Using the workbook

This workbook has been designed to be used by review teams and organisations to give an overview of the portfolio assurance review and how to assess a portfolio. It is broken down into three main sections:

- This introductory section, explaining the context for portfolio assurance;
- An overview of the Portfolio Review approach and the process for operating them; and
- Detailed guidance on what is expected and what should be examined for each of the assurance topics.

The portfolio assurance review

In line with other forms of assurance, the purpose of a portfolio assurance review is to provide senior leadership and key stakeholders with confidence that work is controlled on track and is aligned with policy or strategy. A positive review can provide confidence that an organisation's portfolio of investments in change are being managed and controlled in the right way.

As with project and programme assurance reviews, the main value of an effective portfolio review lies in the observations and recommendations that an independent, objective, and expert review team can provide.

The approach taken to reviewing a portfolio is to breakdown portfolio management into four key assurance topics, with a key question, which the review team examines and provides an individual rating on. The review team then brings these four topics together and summaries the overall health of the portfolio.

The four assurance topics

The four assurance topics are:

- Strategic alignment and definition
- Performance and risk
- Management, culture, and processes
- Capability

Each of these topics is described in more detail below.

Strategic alignment and definition

Is the portfolio strategically aligned and defined appropriately?

This topic examines whether the portfolio aligns to the strategy it is contributing to and is defined in a way which maximises value for money and optimises benefits while remaining achievable and affordable.

This involves looking at the vision and strategy for the portfolio and how the organisation ensures that the contents of the portfolio maps back to that strategy so that there is two-way traceability between benefits and policy.

It will also be important to explore how the portfolio has been defined through the prioritisation, balancing, and sequencing of the portfolio when considering its constraints, such as dependencies, capacity, capability, and finances.

Performance and risk

Does the portfolio understand its risk and performance profile and is able to respond to any areas which are outside tolerance or appetite?

This topic examines the portfolio-level and aggregate risks along with the actual performance of the portfolio against delivery baselines. This involves looking at the impact of specific and total risk and performance concerns on the collective portfolio as well as understanding the effectiveness and efficiency of any action being taken to address these risk or performance concerns.

Management, culture, and processes

Is the portfolio appropriately managed and governed with a culture that allows portfolio management to succeed?

This topic examines how the portfolio is managed and controlled and considers the effectiveness of key portfolio management practices such as reporting, governance, dependency management and financial management.

When considering this, the review may need to examine functional areas outside of the traditional project delivery profession such as finance, commercial and analysis where they are involved in the management and direction of the portfolio. It should always be remembered that portfolio management is the coordination of strategic planning and delivery practices and decisions at the organisational level.

It will also be important to explore the culture of the organisation and whether this allows for effective and successful portfolio management.

Capability and Capacity

Does the portfolio understand its capability and capacity profile, regarding management and delivery, and have the ability to manage it?

This topic explores in more detail whether the portfolio understands its capability and capacity needs and whether there are plans in place to cover any current and future gaps as well as longer term plans to build capability and capacity in project delivery from the management of work packages to the management of portfolios.

Rating a portfolio

Review teams will be expected to make five ratings during a review: one for each assurance topic and one for the portfolio overall (see figure 2)

These ratings all use the same system and take the form of a maturity assessment combined with an assessment of how well the purpose of that practice area is being achieved.

Overall Portfolio Rating			
Managed			
Strategic Alignment & Construction	**Performance & Risk**	**Management, Culture & Processes**	**Capability & Capacity**
Managed	Performed	Managed	Initial and improving

Figure 2 Example rating grid from a portfolio review report.

The rating system is additive meaning that a portfolio needs to meet both the maturity assessment and purpose effectiveness aspects of a given level to be given that level.

The rating system

Each assurance topic and the portfolio overall should be given one of the following ratings:

Rating	Description
Initial	The practices have not been fully implemented or fully achieve their purpose
Performed	The practices are performed though are not fully managed or defined and are starting to achieve their purpose in some areas
Managed	The practices are planned, monitored, and adjusted against a defined process and are achieving their purpose in most areas
Optimised	The practices are optimised and continuously improved and achieve their purpose

Where the rating description refers to 'the practices' this means either portfolio management overall, when rating the portfolio overall, or the practices examined when assessing the individual assurance topics.

More information on how to arrive at the overall portfolio rating can be found at the end of the Workbook.

Showing trajectory

It may be helpful to show trajectory when providing a rating, especially where an organisation is close to achieving the next level. A review team may add 'and improving' to the rating; for example, 'initial and improving' (see the capability and capacity rating in figure 2 for an example).

Completing a portfolio assurance review

A portfolio review follows the same process as that for project and programme assurance reviews and involves aspects such as:

- Initial assessment meeting
- Building the review team
- Agreeing a term of reference and holding a planning meeting
- Interviewing stakeholders and reviewing documentation
- Completing a report with recommendations marked as critical, essential, and recommended.

Existing guidance which makes up the IPA's assurance toolkit should be referred to for more information on how assurance reviews are completed.

However, there are some specific considerations which must be observed when completing a review of a portfolio.

Specific considerations when completing a Portfolio Review

Size and experience of the review team

As standard, the review team should consist of four individuals with experience in portfolio management and key areas such as organisational strategy development, planning and financial management. Due to the amount of information involved in a portfolio review, the increasing of the review team to four allows for a better spread of the work.

Scope and boundaries of the review

Portfolio management is applied differently across organisations depending on the specific operating and governance model in place and are not always self-contained teams, such as you would get with a project and programme. You may find that the practices carried out to manage a portfolio may not all be contained within a portfolio office or equivalent.

As such, the review team leader will need to work with the organisation and the IPA to make sure that they understand where in the organisation the following areas are carried out:

- The setting and development of organisational policy and objectives being delivered through the portfolio
- The setting of the vision and strategy for the portfolio
- The planning and definition of the portfolio
- The validation of the portfolio's objectives and strategy

- The authorisation of work components in the portfolio (projects and programmes)
- The monitoring and analysis of portfolio delivery
- The reporting on portfolio performance
- The monitoring of outcomes and benefits

This might result in a review with a wide range of stakeholders from across and outside the organisation and some stakeholders may not be used to the style and aims of an assurance review. Care and consideration should be given to those stakeholders, taking the time to make sure they feel comfortable with and fully understand the process.

Multiple and sub-portfolios

An organisation might have adopted a model of portfolio management that involves multiple independent portfolios or sub-portfolios which are linked into a central portfolio.

This approach is designed to assure a single portfolio at a time and so if an organisation needs to assure multiple portfolios, this will need multiple reviews. However, the review should consider the relationship between different portfolios and whether there is a single, coherent view of an organisation's investments.

Interviewees

Portfolio reviews involve the interviewing of multiple senior members of an organisation and could include ministers, permanent secretaries, chief executive officers and directors who may not be familiar with assurance reviews and their aims.

Time must be taken by the organisation and review team to make sure interviewees are fully briefed on the aims and objectives of the review and feel comfortable with the process and what to expect.

In particular, review teams must be clear that the review will not examine the strategy and business objectives of the organisation itself but about how well the investments are being managed and align to that strategy.

Close and careful management of the interview schedule will be needed throughout the review process, with strong collaboration between the review team and the organisation, to make sure that interviews are scheduled in a sensible order and last-minute changes are managed to minimise any time lost.

Timing of the review

The portfolio review is not aligned to decision points along a linear life cycle, like they are for project and programme assurance reviews.

This is due to the cyclical and enduring nature of the life cycle portfolios follow which have a constant view on the ongoing validation and definition of the portfolio. As such, there is benefit from completing a portfolio assurance review at any time.

Careful consideration should be given by the review team leader, organisation and, where appropriate, the IPA as to the right timing of the review. In particular, the review team leader should make themselves aware of recent or planned major strategic events which it would be useful to time the review around, such as a spending review, baselining, new strategy launch, or launch of a new target operating model.

Where possible, the organisation should take the opportunity of a review taking place to formally validate the objectives and definition of the portfolio.

Other factors which should be considered are the reporting cycle, other assurance activities currently planned, such as project and programme assurance or audits and the availability of assurance resources with portfolio management experience.

Ownership of the report

As standard, the Accounting Officer is the ultimate owner of the portfolio review report and should be involved in the review itself. This could be a Permanent Secretary, Chief Executive (or equivalent) of an arm's length body or a Director-General depending on where the portfolio sits in an organisation.

It is sensible to have a working-level owner for the report as well, such as a Chief Portfolio Officer or Portfolio Director, as these will be the people most close to the detail of the portfolio and likely to implement any recommendations.

Due to the wide reach of portfolios in an organisation, consideration should be given to sharing the report with members of the governance body, such as an Investment Committee, responsible for the portfolio and Chief Operating Officers.

Ownership where a portfolio review is led by the IPA

Where a portfolio review has been jointly led by the IPA, the report will be jointly owned by the organisation and the IPA. Where the portfolio includes projects and programmes which are on the GMPP, the outcome of the review may also be shared with HM Treasury and Cabinet Office leadership to further support successful delivery.

Strategic alignment and definition

This topic examines whether the portfolio aligns to the strategy it is trying to achieve and is defined in a way which maximises value for money and optimises benefits while remaining achievable and affordable.

This involves looking at the strategy which is the foundation for the portfolio and how the organisation ensures that the content of the portfolio maps back to that strategy so that there is two-way traceability between benefits and policy.

It will also be important to explore how the portfolio has been defined through the prioritisation, balancing, and sequencing of the portfolio when considering its constraints, such as dependencies, capacity, capability, and finances.

Is the portfolio strategically aligned and defined appropriately?

The expectation

Portfolios are expected to define and communicate the vision and objectives of the portfolio This is done by setting the strategy for the portfolio which describes the objectives and desired delivery outputs and outcomes. This strategy should then be used to communicate the purpose and direction of the portfolio to stakeholders and be used to inform decisions when defining and managing the portfolio.

Note: the objectives of the portfolio could be the same as those for the organisation or be derived from them. What is essential is that they are aligned, with the objectives of the portfolio directly contributing to those of the organisation.

The portfolio should be able to describe both what the long-term objectives are and the immediate priorities and how these link to the organisation's business plan. Those involved in the portfolio should also be able to understand, at a summary level, the benefits, outcomes, and objectives needed as well as key success factors and risk, resource, and cost information for the portfolio.

There should be two-way traceability between the organisation's business plan/strategy and the benefits being realised through the investments in the portfolio.

The portfolio should be defined and planned so that the benefits realised by the portfolio as a whole are maximised and optimises the organisation's resources in terms of capability, capacity and cost as well as impact on the business (capacity to absorb change), achievability, and risk. This should be captured in a portfolio plan which acts as a baseline against which the performance of the portfolio can be understood and managed.

Once the strategy is set and portfolio defined, the portfolio's objectives and strategy should be periodically reviewed to ensure that they are still current and affordable with the right projects and programmes being undertaken. Corrective action should be taken to amend the portfolio's strategy and objectives or to adjust the contents of the portfolio if the vision and definition is found to not be valid.

This work should be completed as defined in a portfolio framework with agreement on the practices and processes used from senior management and stakeholders. The role of individuals involved in the work and its governance should be understood and be agreed.

Note: the expectation here is a high-level summary of key points from the project delivery functional standard and published best practice. It is not meant to be exhaustive.

Areas to probe

Strategy and alignment

- Is there a defined strategy for the portfolio which is supported by delivery and financial plans? Is the strategy articulated in a way which allows for proper identification of initiatives which contribute to it?
- Does the strategy for the portfolio support the strategic outcomes for the organisation as a whole and realise the benefits the organisation needs?
- Are there any major gaps in investment against the strategy? Is this intentional?
- Do key stakeholders to the portfolio understand the composition of the portfolio and why?

Definition

- Does the portfolio take a risk-based approach to the selecting components (investing against threats and opportunities driven by the strategy)?
- Is there a robust process for project inception and entry to the portfolio?
- Is the portfolio collectively affordable for the organisation?
- Are the portfolio's plans traceable to the organisation's target operating model?
- What are the results of the portfolio's latest prioritisation exercise, considering how long ago that exercise was?
- What are the criteria for selecting and prioritising the portfolio components?
- How are portfolio components of different types compared?
- Has the portfolio been balanced to consider areas such as:
    - Impact on the business - is this understood, has the portfolio been designed to take this into account or is there potential for an inappropriate level of disruption on business-as-usual activities
    - Capability and capacity constraints - does the portfolio have a portfolio that is designed in line with capacity and capability of its resource or have the ability to provide the resource needed when it is needed

  - Sequencing - how have the components of the portfolio been sequenced, does it consider dependencies, the realisation of enabling capabilities or the needs of the business (for example, does the organisation need a new capability at a specific time and has this been considered when sequencing the portfolio
- Has the design of the portfolio, including sequencing and planned realisation of benefits, been baselined?
- Has the design of the portfolio considered constraints, such as finance and resource availability?

Sources of information

As well as evidence from stakeholder interviews, evidence should be obtainable from:

- Organisation business plans, blueprints, visions, and target operating models
- Portfolio management framework
- Portfolio register of projects and programmes in the portfolio and pipeline
- Various analysis of portfolio components, such as value for money, prioritisation exercises etc.
- Portfolio strategy
- Portfolio delivery plan

Performance and risk

This topic examines the portfolio-level and aggregate risks along with the actual performance of the portfolio against delivery baselines. This involves looking at the impact of specific and total risk and performance concerns on the collective portfolio as well as understanding the effectiveness and efficiency of any action being taken to address these risk or performance concerns.

Does the portfolio understand its risk and performance profile and is able to respond to any areas which are outside tolerance or appetite?

The expectation

Portfolios are expected to report on portfolio performance against the portfolio plan, including areas such as finances, benefits, outcomes, milestones and risks with analysis and commentary to explain variances. When reporting, portfolios should look at both backward, recording achievement to date, and forward, forecasting future performance.

When understanding performance and risk, new risks and issues should be identified, existing ones managed and aggregate risk across the portfolio monitored, understood, and managed. Risk controls should be reviewed to ensure they are still effective. Contingency should be retained at the appropriate level and authorised if needed through change control. The portfolio should respond to risks and issues which have been escalated to them from the projects and programmes in the portfolio.

The portfolio should understand the risk appetite of both the portfolio and the organisation and manage risk to ensure the overall risk does not exceed this.

When performance or risk deviates from the baseline, corrective and preventative action should be taken to ensure the portfolio meets its objectives and reflects any new or changed constraints. This could include the amendment, scope change, rescheduling or termination of any existing projects or programmes.

Note: the expectation described here is a high-level summary of key points from the project delivery functional standard and published best practice. It is not meant to be exhaustive.

Areas to probe

Performance

- What is the performance of the projects and programmes in the portfolio? Consider delivery confidence and the cumulative performance of time, cost, and quality.
- Are there common factors driving poor performance, what are they?

- Is the portfolio's governance and senior leadership actively intervening where poor performance exists and supporting projects and programmes to improve? Does the portfolio have the capability to intervene and support?
- What impact is any poor performance having on the baseline portfolio plan? Is this affecting dependencies across the portfolio?
- What impact is any poor performance having on the business? Are critical capabilities/benefits needed by the business going to be delayed or reduced? What does this mean?
- When considering any poor performance, does the portfolio still appear well sequenced and balanced to increase chances of successful delivery?
- How is the performance of any sub-portfolios considered?
- How reliable is the performance and risk information?

Risk

- What is the risk appetite of the organisation and the portfolio?
- What are the risks associated with the portfolio? Are these being actively identified, understood, and mitigated?
- What are the aggregate risks associated with the portfolio? Are these being actively identified, understood, and mitigated?
- Are project and programme level risks monitored and understood, is there a clear route for escalation to the portfolio?
- Are there any common themes and sources of risks? What is driving this and what does that mean for the organisation and the portfolio?
- Are the risks (both directly and aggregate) to the portfolio within the organisation's risk appetite for the portfolio?
- Is the portfolio (and the organisation) able to manage this level of risk overall, or should there be some element of de-risking to make the portfolio more achievable while still being ambitious and delivering the strategy?

Sources of information

As well as evidence from stakeholder interviews, evidence should be obtainable from:

- Portfolio management framework
- Portfolio risk register
- Portfolio dashboards, reports and analysis

Management, culture, and processes

This topic examines how the portfolio is managed and controlled and considers the effectiveness of key portfolio management processes such as reporting, governance, dependency management and financial management.

When considering this, the review may need to examine functional areas outside of the traditional project delivery profession such as finance, commercial and analysis where they are involved in the management and direction of the portfolio. It should always be remembered that portfolio management is the coordination of strategic planning and delivery practices and decisions at the organisational level.

It will also be important to explore the culture of the organisation and whether this allows for effective and successful portfolio management.

Is the portfolio appropriately managed and governed, with a culture that allows portfolio management to succeed?

The expectation

Portfolios are expected to have a governance and management framework which defines how the portfolio is to be directed and managed, established, maintained, and communicated on to appropriate stakeholders. This framework should include:

- Roles and accountabilities, processes, methods, techniques, guidance, templates, and tools
- The planning horizons to be used and how often the portfolio plans should be reviewed and updated
- The types of programmes and projects that will be included in the portfolio and the criteria for identifying them
- The criteria and techniques used to categorise, prioritise, balancing and selecting the portfolio's projects and programmes
- Processes for initiating and managing the projects and programmes in the portfolio
- The method for allocating resources and funds
- The reporting framework

There should be a record of the portfolio's projects and programmes which is kept up to date and includes information such as: responsible individual, status, position in the portfolio hierarchy and significant dependencies on other areas of the portfolio.

Portfolios are expected to report on portfolio performance against the portfolio plan, including areas such as finances, benefits, outcomes, milestones and risks with analysis and commentary to explain variances. When reporting, portfolios should look at both backward, recording achievement to date, and forward, forecasting future performance.

High-level benefits should be identified, analysed, defined, and included in the portfolio plan and then reported against. The plan should include trigger points to start tracking actual benefits realisation.

The portfolio should identify and assess the interests and expectations of stakeholders to the portfolio and develop and implement an engagement plan; including assessing the impact of any communications.

The portfolio should understand its resource needs, having a mechanism for monitoring this and adapt accordingly.

The organisation should have a culture that allows for portfolio management to succeed, such as welcoming check and challenge, working together to move the organisation forward, not just individual areas, and being open and transparent.

Note: the expectation described here is a high-level summary of key points from the project delivery functional standard and published best practice. It is not meant to be exhaustive.

Areas to probe

Management and Processes

- How effectively does the portfolio manage:
    - Risk
    - Finances
    - Benefits
    - Resources
    - Dependencies and the delivery plan
    - Stakeholders
    - Change control
- How is the portfolio governed? What is the governance framework? Do the governance bodies for the portfolio and its senior leadership take active involvement in managing the portfolio?
- How does the portfolio and its governing bodies make use of stage gates and tolerances to control the portfolio?
- What is the relationship with any sub-portfolios or other portfolios in the organisation and how does this work?
- What is the relationship with any Investment Committee and the appraisal of business cases?

- How does the portfolio understand the current and future portfolio components? Is the development pipeline actively managed and understood?
- What methodology is used to compare different types of projects and programmes to then be able to prioritise them? Is this a sensible and effective way to do this?
- What methodology is used to balance the portfolio? How frequently is this reviewed and is it effective?
- Are senior members of the organisation involved in agreeing how portfolio components are selected for investment and balanced against the current portfolio?
- Are portfolio processes and practices aligned with organisational processes and systems such as performance reporting, risk management, financial management and business planning? How well is this working?
- Do stakeholders understand how the portfolio is managed and know how to interact with these processes (particularly, SROs and their project/programme team)?
- How confident is the portfolio in the quality of data it is provided and the insight they are able to draw from it? How robust is any assurance and interrogation of the data? Is the portfolio able to make connections across different data sets?
- Where portfolio management practices/processes are completed outside of the portfolio office, how well are these operating? Is there strong collaboration between different teams?
- Do the outputs of the portfolios processes and practices enable the organisation and the senior decision makers to understand and make decisions on whether the:
    - portfolio is delivering the right projects and programmes?
    - projects and programmes are being delivered in the right way?
    - and programmes in the portfolio are delivering the right value?
    - projects and programmes in the portfolio are performing well?

Culture

- Does the organisation have a culture that enables effective portfolio management? Is portfolio management championed from the head of the organisation?
- How does the wider organisation view the portfolio? Is it recognised as being the body which sets standards, controls, tolerances and the organisation's package of projects and programmes?
- Are senior decision makers willing to make the difficult decisions needed and are actively involved in managing the portfolio?
- Does the organisation have a culture of openness and transparency that allows for a true picture of performance to be understood and communicated?

- Is there a strong culture of accountability for delivery in the organisation in support of the portfolio?
- Does the organisation have a culture that welcomes internal check and challenge to help drive improvements in the management of the portfolio and the projects and programmes in the portfolio?
- Is it understood across the organisation that delivering the strategy is a collective responsibility and so is understood that projects and programmes may need to be stopped, slowed, or scaled back?
- Are there areas of resistance to effective portfolio management? What is driving this?

Sources of information

As well as evidence from stakeholder interviews, evidence should be obtainable from:

- Portfolio management framework
- Portfolio risk register
- Portfolio register of projects and programmes in the portfolio and pipeline
- Development pipeline register
- Portfolio dashboards, reports and analysis

Capability and capacity

This topic explores in more detail whether the portfolio has the capability and capacity to manage the portfolio as a whole and to the deliver the contents of the portfolio as currently constructed. It will be important to examine whether the portfolio understands its capability and capacity requirements, whether that matches what they have available and have plans to cover any current and future gaps.

Does the portfolio understand its capability and capacity profile, regarding management and delivery, and have the ability to manage it?

The expectation

Work, both at the portfolio and project/programme level, should be undertaken in multi-disciplinary teams and is assigned to people who have the required capability and capacity with defined roles and responsibilities.

The portfolio should work to optimise the organisation's capability and capacity to ensure the portfolio can be delivered and monitor current capacity and capability constraints in the organisation and supply chain, adapting the portfolio where necessary.

The portfolio should have a comprehensive view of future resource needs which is maintained and identifies and addresses any shortfalls in capability. Resources should be acquired or developed to meet planned needs or replan to reflect capability constraints.

The portfolio should have business continuity measures ready for any loss of critical resources.

Note: the expectation described here is a high-level summary of key points from the project delivery functional standard and published best practice. It is not meant to be exhaustive.

Areas to probe

Portfolio management capability

- Does the portfolio have the people with the skills and experience to manage the portfolio? Do they understand what is expected of them and can then deliver on this?
- What are the development plans for those involved in managing the portfolio?
- Do the senior stakeholders understand what is required of them and do they have the skills to deliver on this?
- Is the Project Delivery Capability Framework used to identify the skills needed and are any capability gaps understood?

- What is the strategy for mitigating and capability gaps and for maintaining good levels of capability (investment in development and legacy planning)?
- Does the organisation understand that the skills needed to manage a portfolio is wider than just project delivery (such as finance, digital and analytical skills)? And is this built into the capability plans for the management of the portfolio?

Portfolio delivery capability

- Does the portfolio have the people with the skills and experience to deliver the projects and programmes in the portfolio?
- What is the organisation's development strategy for the project delivery profession?
- Are the gaps in project delivery capability/capacity understood and how is this mitigated?
- Does the portfolio know the skills and experience needed to deliver the projects and programmes in the portfolio? Does the organisation know whether they have that capability?

Sources of information

As well as evidence from stakeholder interviews, evidence should be obtainable from:

- Portfolio management framework
- Capability strategies

The overall portfolio rating

Once a review team has assessed and rated each assurance topic, they need to provide an overall portfolio rating. This uses the same four level system as for the assurance topics but instead of assessing a specific area of practice, the review team is assessing portfolio management overall.

What is an overall portfolio rating?

An overall portfolio rating is the review team's assessment of:

- The maturity of portfolio management processes and practices examined through the four assurance topics; and
- How well the purpose of portfolio management is being achieved.

The two aspects are important as portfolio management can only influence and enable the proper management and control of an organisation's investments. To be a success, there needs to be the right culture, engagement, and decisions from those involved in projects, programmes, and the delivery of strategy in the organisation.

Portfolio ratings

Rating	Description
Initial	The practices have not been fully implemented or fully achieve their purpose
Performed	The practices are performed though are not fully managed or defined and are starting to achieve their purpose in some areas
Managed	The practices are planned, monitored, and adjusted against a defined process and are achieving their purpose in most areas
Optimised	The practices are optimised and continuously improved and achieve their purpose

Note: These are the same ratings as used for the assurance topics

Delivering a portfolio rating

The review team should base their assessment on the portfolio overall on the evidence they have gathered as part of the review and should reflect the assessments they have given for each of the assurance topics. However, the overall portfolio rating is not a simple calculation.

All portfolios are different, and the review team should consider any major concerns, challenges, examples of best practice or other attributes that are unique to the portfolio when reaching their assessment.

Not an assessment of delivery

An overall assessment of portfolio management is not an assessment on the likelihood of the organisation to successfully deliver the portfolio overall or any individual project or programme in the portfolio. This is what project and programme assurance reviews and delivery confidence assessments are for. Instead, it is about the ability of the organisation to manage a portfolio of investments.

However, an understanding of the performance of the portfolio is still important, which is primarily explored in the performance and risk assurance topic, but from the perspective of how well a portfolio has been defined and performance issues and risks are managed.

It is a holistic view

The four assurance topics allow for a portfolio review to provide a considerable amount of detail on specific areas of portfolio management and how well they are performing. However, it is important that these four topics are not used in isolation and that the review team considers the overall coherence of the portfolio and the way in which the various components fit together and how the portfolio sits within the wider organisation. It is possible for portfolio management overall to be quite low for a portfolio that has many areas of excellence which are nonetheless out of step with each other or where there is limited traction or appetite within the organisation to act on the data, information and recommendations coming out of a portfolio office.

Portfolio rating and recommendations

The aim of any portfolio review is to help ensure that the portfolio improves in its management and control of the organisation's investment and, in turn, increases the chance of successfully delivering strategy. The review team should include appropriate recommendations that address both immediate priorities and longer-term issues. Each recommendation must be assigned a priority rating and be categorised by the assurance topic it relates to.

Portfolio health

A review team may want to demonstrate the health of the portfolio when explaining why they have reached a particular rating for the portfolio overall. This can be done in a number of different ways such as a delivery confidence grid (see figure 3) or an achievability against attractiveness chart (see figure 4). If the review team decides to include a demonstration of portfolio health, they should make use of analysis already used by the organisation and include at the beginning of the report with the summary. This may be particularly useful when an organisation is looking for validation of an internal assessment as part of the review.

	Year 1				Year 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Project A	G	G	G	R	A	A	G	G
Project B	A	A	R	R	R	R	R	R
Project C	A	A	A	R	R	G	G	G
Programme A	G	G	G	G	G	G	G	G
Programme B	G	G	G	G	G	G	G	G
Programme C	R	R	R	R	R	R	R	A
Programme D	R	R	R	A	A	A	R	R
Programme E	A	A	R	R	A	A	A	A

Figure 3 Example of a delivery confidence grid

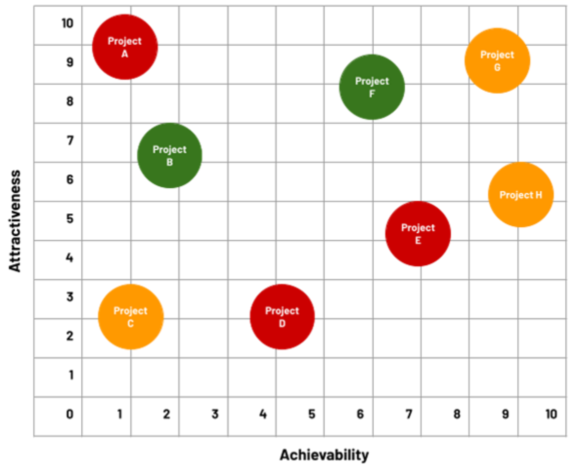

Figure 4 Example of an attractiveness against achievability chat

Assurance of action plans

An assurance of action plan review, commonly referred to as an AAP, is the normal method of re-assessing a project or programme delivery confidence assessment following a project or programme assurance review where the rating given is red.

An AAP review can also be used for a portfolio where a portfolio review gives an overall portfolio rating of 'initial', and the review team believes an AAP would benefit the organisation. When recommending or considering the initiation of an AAP, this should normally be at least one year after the original portfolio review to recognise that recommendations can take longer to implement at a portfolio level over a project or programme level.

An AAP for a portfolio should follow the normal assurance of action plans guidance which is part of the IPA's Assurance Toolkit.

A. Defining portfolios and portfolio management

Portfolio

A portfolio comprises part or all of an organisation's investment required to achieve its objectives. Governed through its portfolio (or business) plan, a portfolio comprises work components such as other portfolios, programmes, projects, other work, and work packages.

Portfolio Management

Portfolio management is a coordinated collection of practices and decisions that together enable the most effective balance of organisational change and business as usual, whilst remaining within a specific funding envelope. Portfolio management should be an integral part of an organisation's business planning and control activities.

Note: the definitions for portfolio and portfolio management come from GovS 002: Project Delivery Functional Standard.

B. Portfolio documentation

The areas of investigation together with examples of evidence should be available before the Portfolio Review starts. This information is likely to be found in the documents below, but may be in other portfolio documents or elsewhere in the organisation's document system:

- Portfolio management framework
- Portfolio strategy
- Portfolio delivery plan
- Portfolio benefits management strategy
- Portfolio benefits realisation plan
- Portfolio financial plan
- Portfolio resource schedule
- Portfolio stakeholder engagement and communication plan
- Portfolio dashboards, reports and analysis
- Minutes of portfolio boards/committee meetings
- Portfolio risk register or list of the major risks with plans for managing them
- Portfolio organisation covering key roles and governance/reporting arrangements

C. Supporting guidance

Government publications available through GOV.UK

- The Infrastructure and Projects Authority Assurance Toolkit
- GovS 002: Project Delivery Functional Standard
- Project Delivery Capability Framework
- HM Treasury Green Book - Appraisal and Evaluation in Central Government
- HM Treasury Orange Book - Management of Risk, Principles and Concepts

Professional Body Publications

- Axelos suite of best practice, in particular the Management of Portfolios, first edition (2011)
- APM Body of Knowledge seventh edition
- APM Portfolio Management: A Practical Guide
- PMI The Standard for Portfolio Management, third edition (2013)
- BS ISO 21504: 2015 Project, programme, and portfolio management: Guidance on portfolio management

Contact IPA

www.gov.uk/IPA
IPA@ipa.gov.uk
@ipagov

Cabinet Office

Correspondence team
70 Whitehall
London
SW1A 2AS

publiccorrespondence@cabinetoffice.gov.uk

General enquiries: 020 7276 1234

HM Treasury

Correspondence team
1 Horse Guards Road
London
SW1A 2HQ

public.enquiries@hmtreasury.gsi.gov.uk

General enquiries: 020 7270 5000

Produced by the Infrastructure and Projects Authority