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## 1. Purpose of this document

The purpose of this document is to obtain CIO Council agreement to the target “common approach” to portfolio management which has been developed since the July CIO Council and to a set of objectives which take account of commitments made to date and next steps for the period up to December 2007

## 2. Introduction

Transformational Government – Enabled by Technology makes a case for the introduction of portfolio management techniques to achieve two key outcomes:

- *to provide and maintain an holistic view of government’s investment in IT*
- *to provide the opportunity for proactive management of that investment across government as a whole*

The Strategy also asserts that the introduction of portfolio management techniques would allow government to:

- *match supply with demand*
- *anticipate generic challenges/common issues*
- *identify duplication and other opportunities for standardisation and sharing*
- *balance spend between legacy and development*
- *challenge relative low value/low return projects*
- *set priorities when competing for scarce capacity*

To ensure consistency of results a common approach has been identified by the Common Interest Group (DWP, HMRC and CJIT representation) for departmental use which makes use of the best practice principles and processes already introduced in the public sector in DWP, HMRC, CJIT, (and others).



Portfolio management techniques are already used in a number of organisations but in many they are not. Those in use vary in complexity and scope but all of those examined have some common key principles.

It is not intended to replace existing methods providing certain key principles are being met. Nor is it the intention to impose a central set of tools and techniques on those organisations that do not have portfolio management in place.

However, to achieve the consistency sought by the Strategy, all departments and equivalent organisations should implement a portfolio management approach which embeds the following key principles:

### **3. Departmental Portfolio Management**

#### **Set Objectives**

1. Each department should define its own objectives for adopting a portfolio management approach to managing its IT investment. To a large extent these will be driven by the organisation's current challenges and drivers may include any one or all of; reducing risk, reducing cost, reducing headcount, maximising capacity, meeting efficiency targets, etc. As the start point for portfolio management these objectives should be clearly defined and agreed (see Governance below). As a minimum to ensure a consistent approach across government they must include the following generic objectives:
  - matching supply with demand
  - anticipating generic challenges/common issues
  - identifying duplication and other opportunities for standardisation and sharing
  - balancing spend between legacy and development
  - challenging relative low value/low return projects
  - setting priorities when competing for scarce capacity
2. The portfolio objectives should be reviewed regularly (annually – and see Governance below). The objectives should be revised as required to meeting changing challenges but the key generic objectives above should be retained. They will be reviewed separately, on an annual basis, by the CIO Council and departments will be advised of any changes year on year.

#### **Collect Information**

3. Each individual investment activity should be defined as a project or programme and as such be subject to appropriate departmental



control and governance approach in line with CIO Council guidance (see separate Control and Governance paper).

4. A common set of information will need to be collected for each which will enable the progress, performance and dependencies/interdependencies of each programme and project to be regularly monitored and tracked to ensure ongoing strategic alignment and any need for intervention. This information will be divided into two types, static and live. A minimum recommended data set is at Annex (a)

### **Segment/Categorise**

5. Once the overall rationale has been established, and the objectives defined, the departmental IT investment portfolio should be segmented into categories to enable it to be viewed, and managed, from a number of perspectives.
6. The “common approach” requires the projects in each departmental portfolio to be viewed by “type” and “purpose” and within those headings at the level of detail described below.
  - The type of investment/activity – sub-divided into:
    - a. Infrastructure
    - b. Development
  - The purpose of the investment/activity – sub-divided into:
    - c. Legal/Statutory
    - d. Strategic (departmental/Centre)
    - e. Cross-Government initiatives/projects
    - f. Efficiency (i.e. to meet departmental efficiency targets)
    - g. Improvement (effectiveness improvements)
7. As with objectives, local requirements will also “shape” portfolio segmentation. For example, organisations which carry out extensive technology research may wish to add an extra “Innovation” type, others may add additional “purpose” categories.

### **Justify Inclusion in Portfolio**

8. Once assigned to a category each project/programme should be critically assessed to justify its entry into and relative importance in the portfolio. As a minimum these decisions should be made against the following criteria:
  - Business case justification (in accordance with HMT “Green Book” guidance)
  - Strategic Fit
  - Capacity/capability to deliver
  - Capacity/capability to absorb change
  - Attractiveness/Achievability (cost/benefit v risk)



9. Prioritisation and decision-making processes are iterative. Priorities allocated to programmes and projects should be re-assessed on a monthly basis to ensure that changes in the business environment are reflected in current and future priorities.

### **Managing the Portfolio**

10. The portfolio should be reviewed on an annual basis to test for continued relevance of the portfolio as a whole and of individual projects and programmes. If necessary the portfolio should be realigned to meet changing circumstances and drivers and funding and resources should be reallocated.
11. Portfolio Management involves tracking progress regularly across the entire portfolio which is providing a corporate view of the organisation's IT delivery and investment commitment. To achieve this there should be monthly reporting of "static" and "live" project information (see Annex (a)) and critical aspects that should be monitored monthly include:
  - Continued relevance of the project against objectives
  - Quality of key outputs
  - Timely completion / achievement of key milestones
  - Key risks, issues & assumptions
  - Benefits realisation
  - Accuracy of estimates of costs and timeframes
  - Resource utilisation and skill requirements
  - Changes affecting scope
12. Action plans should be agreed between the Portfolio Management Committee (see Annex (b)) and project/programme SROs and managers as necessary and any changes.

## **4. Pan-Government Portfolio Management**

13. The pan-government portfolio must present the whole government picture – the "Portfolio of Portfolios". A governance structure and process needs to be in place which allows the total IT investment to be viewed from the financial perspective, 'cut' in the same ways suggested above under Departmental Portfolio Management but at the aggregate level, and also in a way that can feed the Annual Report.
14. In addition, the governance process must provide visibility of existing and emerging good practices in portfolio management at departmental level (or other, intermediate levels) and leverage their implementation, in a way that enables the common approach to be adopted, across the government community as a whole.
15. As at the departmental level, the pan-government process must allow potential pan-government problems to 'rise to the surface' so



that they can be addressed proactively, allow potential resource (technology, people, supplier) overlaps, gaps and bottlenecks to be identified and enable proactive action to be taken.

17. At the pan-government level there are already appropriate governance bodies in place which can fulfil this purpose.
  - **PSXe** at the highest level as recipient and endorser of the Annual Report and future plans and as the final port of call for decisions on generic issues
  - **The CIO Council** as the owner of the government's IT investment – the portfolio
  - **The Delivery Council**, as the owner of the business requirement of government and therefore the representative of the demand side.
18. In addition to pan-government and departmental portfolios there may well be a requirement for portfolios to be managed at other levels. These "specialist" portfolios could cover areas such as the portfolio of Identity Management projects or higher-level groupings of departmental portfolios for management purposes for example all Crime and Justice related projects.
19. The CIO Council, as portfolio owner and "manager", must formally review the overall portfolio on an annual basis to:
  - Test continuing relevance
  - re-align to meet changing circumstances as necessary
  - Ensure Annual Report requirements are catered for
  - Align with SR requirements as appropriate
20. On a more frequent basis (quarterly) emerging generic issues should be assessed and action plans developed and agreed
21. Roles and responsibilities for pan-government portfolio governance bodies are outlined at Annex (b).

## **Recommendations:**

That CIO Council Members:

- Confirm agreement to the common approach to portfolio management outlined above and in Annexes (a) and (b).
- Consider implementation approach for their organisation:
  - Where nothing is in place at the moment, adopt the agreed common approach;
  - Where a similar process is already in place, consider when it would be appropriate to migrate to the agreed approach.



## **Next Steps if Approved:**

Next steps have been identified as:

### *Outcomes by December 2006:*

- Full CIO Council agreement to the target approach
- Active portfolio management started with departmental pilot(s) and across departments (as per agreed approach)
- View of portfolios reflected in annual report; 2006 Annual Report will describe (at a minimum):
  - “Biggest projects” which are mission critical or market shaping
  - Projects in the Finance and Human Resources area within the Shared Services programme
  - Identification and data sharing programmes
  - Replacement of legacy VME systems

### *Outputs by December 2006:*

- Agreed common approach to portfolio management for departmental application
- Agreed implementation plan
- Agreed pan-government “portfolio of portfolios” view

### *By December 2007:*

- The common approach to portfolio management implemented across departments with 100% of CIO Council member organisations actively following the approach
- Metrics developed to measure effectiveness of process
- Pan-government management requirements for 2007 including Annual Report agreed and implemented
- Gateway™ Review process testing that common approach to portfolio management is in place
- Decisions within CSR reflect up-to-date portfolios; portfolio assessments reflect allocation decisions and new PSA targets from CSR



## **Annex (a) – Departmental Portfolio Management**

### **Minimum data set for portfolio, programme and project reporting**

#### **Departmental Portfolio overall**

Objectives  
Overall Cost  
Cost broken down by Type and Purpose (see above)  
Cost of IT Spend as a percentage of overall departmental spend  
Key Issues/Risks

#### **For each individual Programme/Project included in the portfolio**

##### **“Static” information (reviewed and updated quarterly)**

Programme/project title  
Names of key personnel, for example, SRO, Project Manager  
PSA or corporate objective this is contributing to  
Priority level, for example Mission Critical, Highly Desirable, Desirable  
Overall level of risk  
Key milestones with indicative dates (including “eight go/no go gates”)  
Key partners involved in delivery chain  
Dependencies between this and other programmes/projects  
Original budget or overall value in terms of whole life costs  
Impact of not delivering the programme / project

##### **“Live” Information (updated monthly)**

Position in Lifecycle (as defined by the “eight gate” Control and Governance process)  
Current status, using departmental RAG status  
Last Gateway™ Review RAG status  
Progress against planned milestones,  
Assessment of “on time, within budget, to specification” performance



## **Annex (b) – Pan-Government, Departmental and “Specialist” Portfolio Governance**

### **Roles and Responsibilities**

The **CIO Council** operating as the Pan-Government Portfolio Management Committee will operate on a collegiate basis to:

- Set pan-government direction and policy in portfolio management, and remove blockers so as to support departments in realising their full potential
- Champion alignment of requirements and solutions in order to achieve the full potential of portfolio management of government’s IT investment.
- Determine performance management regime(s) to be applied in investment management
- Moderate and approve departmental and “specialist” portfolios in the light of the pan-government “picture”
- Direct and monitor delivery of government’s IT investment using the pan-government, departmental and “specialist” portfolios
- Address and, with input from appropriate external stakeholders resolve pan-government issues which threaten to limit achievement of overall portfolio management objectives
- Consider and approve any interventions required to deliver on government’s IT investment management objectives

**Departmental Portfolio Management Committees** should be established to manage the portfolio, intra-year, meeting as regularly as necessary chaired by the “Portfolio Manager” and comprising the CFO, CIO, SRO and perhaps an Independent Board Member to give an independent view.

Requirements for “Specialist” portfolios will be defined by the CIO Council and reviewed annually as will the composition of “**Specialist portfolio management committees**” but as a minimum they will include all relevant CIOs and CFOs.

These committees will be responsible for the proactive management of the portfolios and will:

- Develop plan for and monitor delivery of agreed portfolio objectives
- Manage conflicts of priorities
- Address and resolve portfolio-wide issues
- Implement mechanisms to ensure adherence to the agreed investment plan



- Optimise portfolio investment to achieve objectives
- Identify the need for and nature of any interventions needed within the portfolio
- Report progress and escalate issues to the CIO Council as necessary
- Ensure communication of the plan and progress across the portfolio



## Annex (c) – Timeline

Actions	eGU Lead	Sep-2006	Oct-2006	Nov-2006	Dec-2006	Jan-2007	Feb-2007	Mar-2007	Apr-2007	May-2007	Jun-2007	Jul-2007	Aug-2007	Sep-2007	Oct-2007	Nov-2007	Dec-2007
Obtain CIO Council agreement of forward plan (to Dec 2007)	CT	█															
Identify and agree (2) pilot projects	CT/WG/Depts	█	█	█	█												
Develop long term Portfolio Management model(s)	CT/CIG/WG	█	█	█	█												
CIO Council endorsement for (long term) PM model(s)	CT/WG			█	█												
Produce detailed implementation plans for pilots	CT		█	█	█												
2006 Annual Report "portfolios" collected and agreed	CT/WG	█	█	█	█												
Develop detailed full implementation plan	CT/WG/CIG		█	█	█	█											
Develop "strawman" metrics paper	CT/WG/CIG		█	█	█	█											
CIO Council endorsement for full implementation plan	CT/WG		█	█	█	█											
CIO Council endorsement for metrics	CT/WG				█	█											
Continue input to OGC Gateway Refresh project	CT	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Confirm new PM processes referenced in revised Gateway	CT/OGC					█	█										
Monitor pilots through lifecycle	CT/WG/Depts			█	█	█	█	█	█	█	█	█	█	█	█	█	█
Agree/initiate implementation plans with CIO Council depts	CT/Depts			█	█	█	█	█	█	█	█	█	█	█	█	█	█
Full Implementation of "common" departmental approach	Depts			█	█	█	█	█	█	█	█	█	█	█	█	█	█
Pan-Government management requirements for 2007 identified	CT/WG/CIG				█	█	█	█	█	█	█	█	█	█	█	█	█
Pan-Government requirements for 2007 (including 2007 AR agreed)	CT/WG							█	█	█	█	█	█	█	█	█	█
Pan-Government management approach being followed	eGU/Depts							█	█	█	█	█	█	█	█	█	█
Maintain contact with HMT to ensure CSR links to PM in place	CT					█	█	█	█	█	█	█	█	█	█	█	█

