



The Benefits of Portfolio Management @ Defra – a case study



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with acknowledgements to

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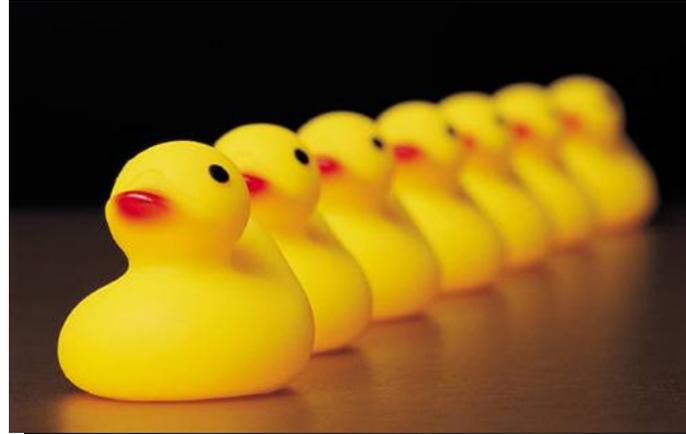
and the
APM Portfolio Management
Special Interest Group

and countless others ...

Portfolio Management



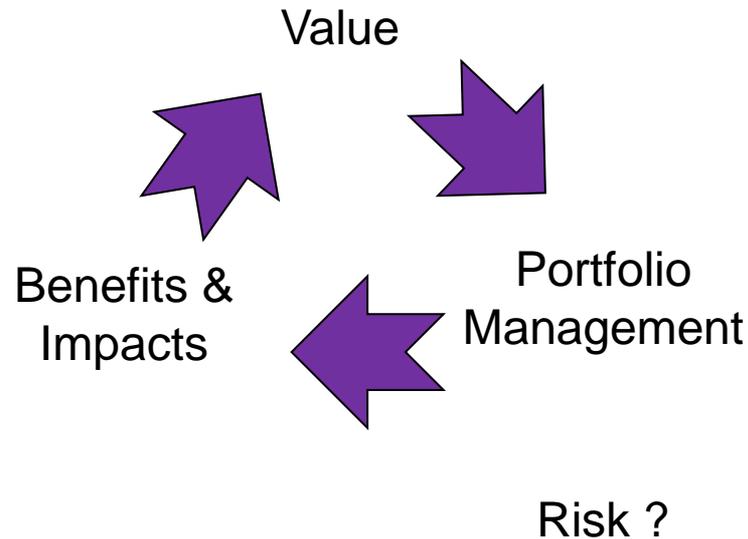
Added value



Value
to the
Public

Value to
Public
Service
workers

The Benefits of Portfolio Management



- Approval Panels
- Portfolio Modelling
- Spending Review

Principles ? Definitions ?

APM defines Portfolio Management as: *'The selection and management of all of an organisation's projects, programmes and related business-as-usual activities taking into account resource constraints'*.

The **OGC** adopts a more process perspective: *'PPM is a corporate, strategic level process for co-ordinating successful delivery across and organisation's entire set of programmes and projects. OGC Management of Portfolios ® (MoPf) states 'Portfolios represent the totality of an organisation's investment (or segment thereof) in the changes required to achieve its strategic objectives'*.

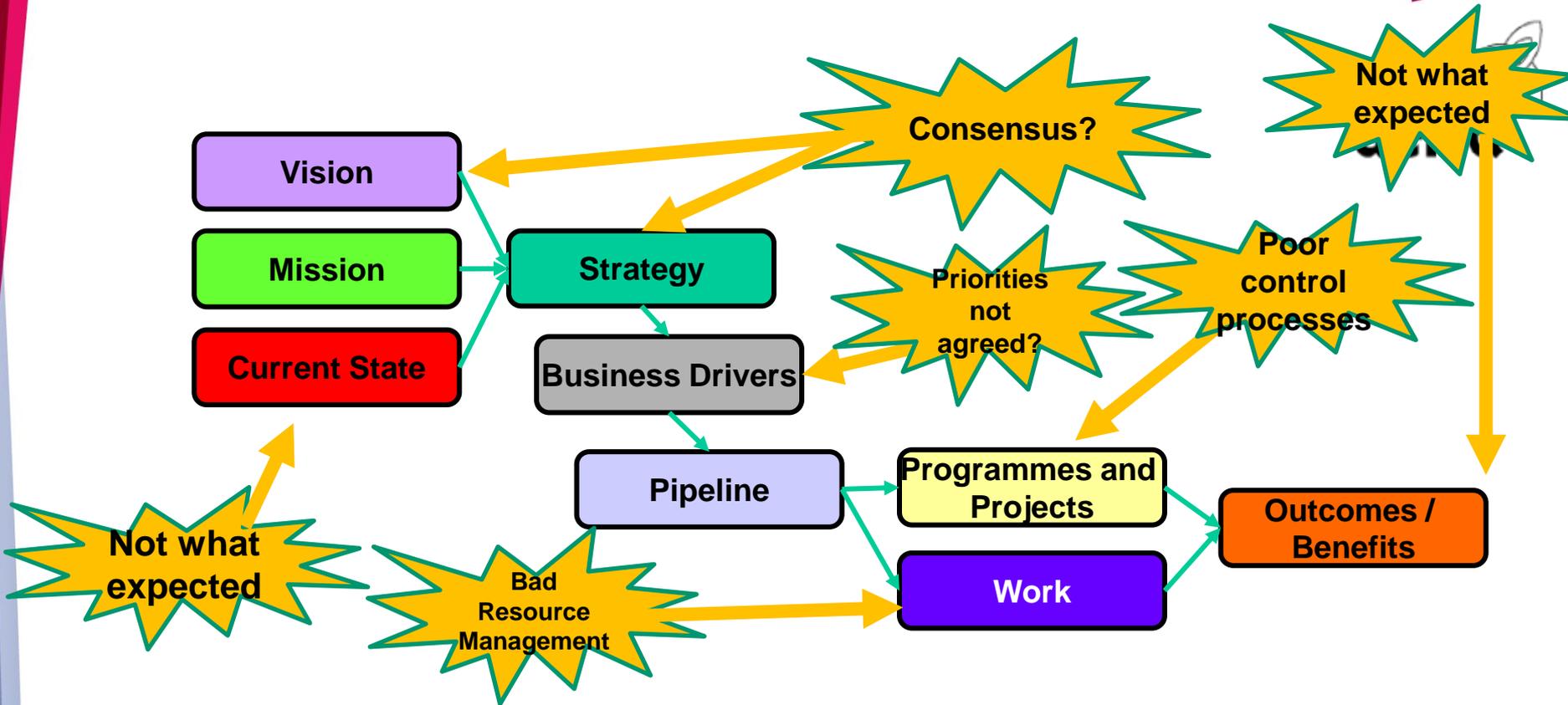
Whereas the **National Audit Office** emphasizes the key aspects of prioritisation and strategic alignment: *'Prioritisation of all an organisation's projects and programmes in line with business objectives and matched to its capacity to deliver them'*.

Cranfield MS and Open University define it as *'Managing a diverse range of projects and programmes to achieve the maximum organisational value within resource and funding constraints.'*

Yours truly humbly adds the following: *'... so that the benefits translate into impacts of positive value to the public.'*



PfM – Biggest problem areas



PfM is the tool for efficient strategy implementation – how good is that?



- ^ Agreed list of all the strategic projects required to deliver the strategy for current and future years => accountability & responsibility
- ^ Each project or programme is mapped against the strategic themes so everyone know what activity delivers which goals => strategic alignment
- ^ The portfolio can be managed at Board level and by investment committees and is a key governance tool => empowers decision-making
- ^ A tool for monitoring performance against outcomes => performance management



These are all benefits ... At least in the abstract.

Defra manages and supports public goods that are essential for the economy and quality of life, as set out in our Business Plan



Business plan priorities

1. Support and develop British farming and encourage sustainable food production
2. Help to enhance the environment and biodiversity to improve quality of life
3. Support a strong and sustainable green economy, resilient to climate change

Prepare for and manage risk from animal and plant disease

Prepare for and manage risk from flood and other environmental emergencies

Economy

- We sponsor the farming, food and drink (UK's largest manufacturing sector), waste and water sectors
- We promote a green economy, ensuring that growth is environmentally sustainable, accounting for the value of nature
- Environmental and animal health risks can result in very significant costs to the economy if not well managed

Quality of life

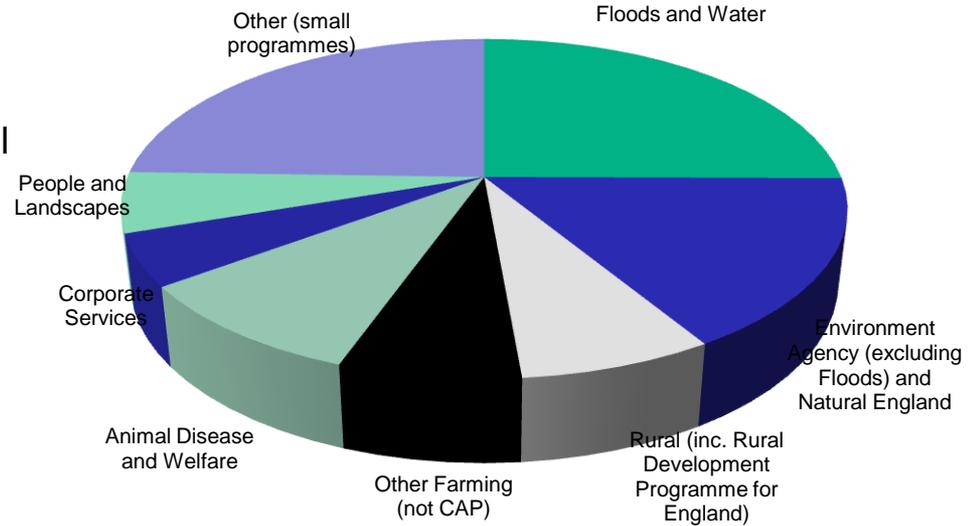
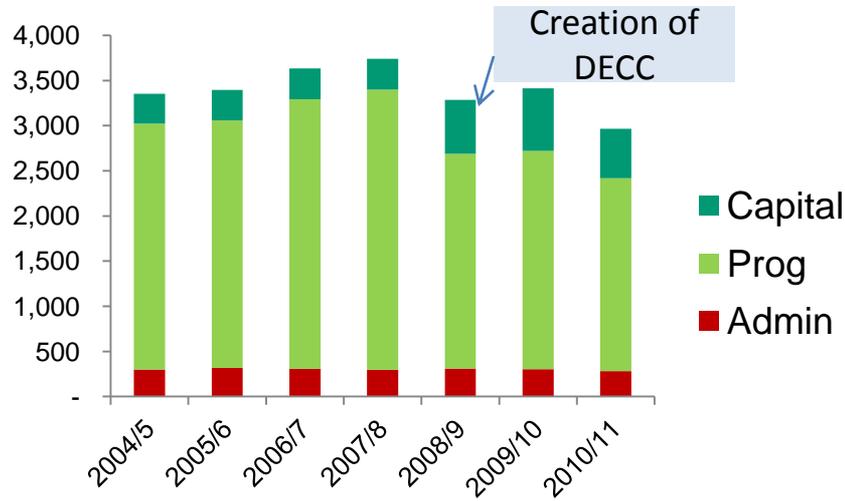
- The environment and food are essential for healthy life
- Environmental risks and animal diseases can cause deaths and reduce quality of life
 - A well-maintained environment and access to green spaces is important for wellbeing

The Department's budget in 2010/11 was £3.0bn (£0.3bn admin, £2.2bn programme, £0.5bn capital)
 – aiming for an overall 30% reduction by 2015

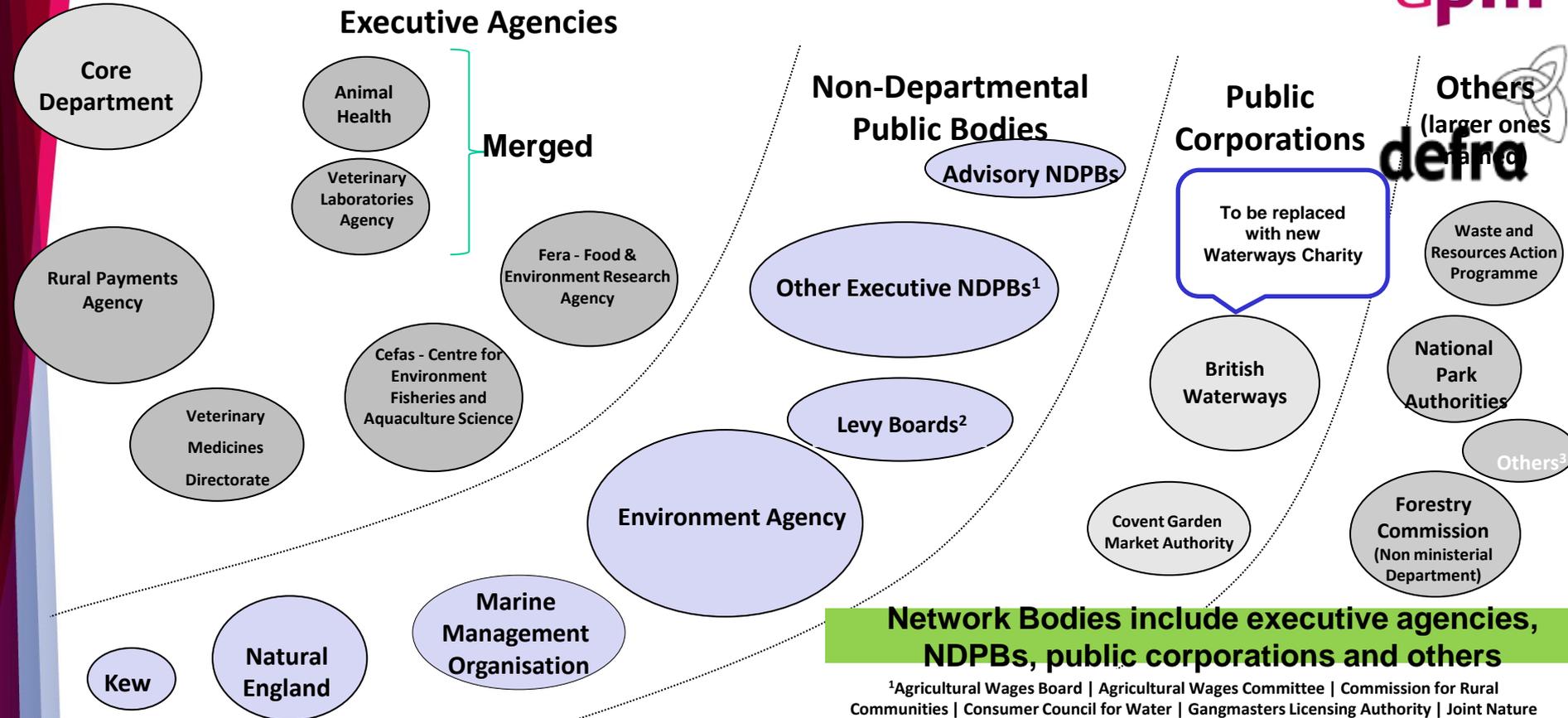


Departmental spending has declined since 2007/08

The Department's spend is dominated by major programmes



We are reshaping the Defra network to increase efficiency, accountability, and transparency, reduce costs, focus on what only Govt can do, and enhance our contribution to the Big Society. We are going from 92 Network Bodies to 39.



Network Bodies include executive agencies, NDPBs, public corporations and others

In 2010/11 there were around 30,000 staff across the Network

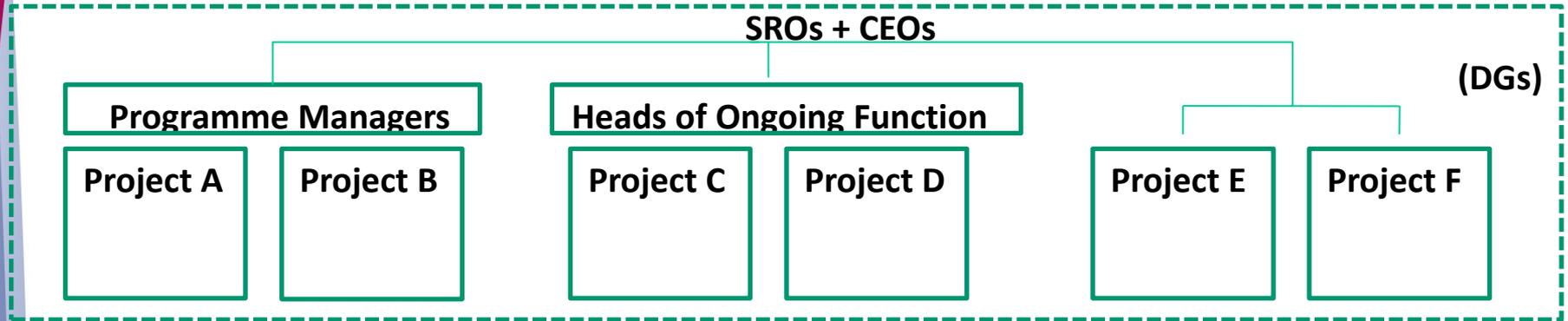
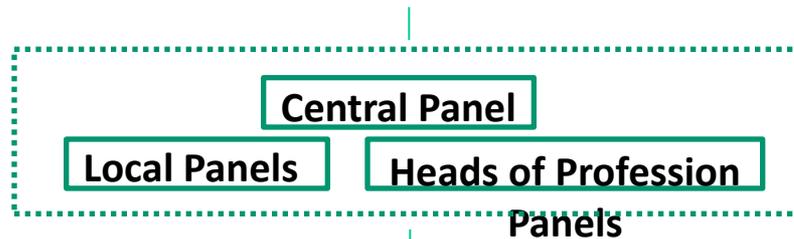
¹Agricultural Wages Board | Agricultural Wages Committee | Commission for Rural Communities | Consumer Council for Water | Gangmasters Licensing Authority | Joint Nature Conservation Committee | National Forest Company | Sustainable Development Commission

² Agriculture & Horticulture Development Board | Sea Fish Industry Authority

³ Conservation Boards for the Cotswolds and Chilterns Areas of Outstanding Natural Beauty, local authorities & third sector bodies and Ofwat (the water regulator)

Defra Governance

Management Committee /
Supervisory Board (Ministers)



The Defra Portfolio



ALL the work done in the Department is managed as a portfolio and falls into one of three categories:

Programmes – policy Change work, run by SROs (usually Director level) and monitored by the Board and Directors General

On-going functions – policy BAU work, run by SROs (usually Director or Deputy Directory level) monitored by the Board, Directors General and Directors

Stand-alone projects – monitored by Directors General

Delegated Authority



SROs and CEOs are responsible to their Local Panels and Management Committee for delivery of their objectives and for maintaining a robust forecast position within DEL limits.

They can apply to Panels for funding based upon a business case.

If an SRO or CEO requires an increase in funding to pursue a new line of work they must write a business case, demonstrating good Value for Money and submit these to the Panels in order to obtain funding, ensuring that they proceed through the Assurance process including Gateway reviews.

NOT Directors General!

Capital Prioritization methodology

- ❖ Priority 1 ('Irreducible core') cases normally approved (subject to affordability) if there is clear evidence of vfm as well as at least one of:

risk of breach of statutory legislation; significant Health & Safety issues; impacts on business continuity; building new business opportunities; contributing to invest-to-save

- ❖ Priority 2 ('discretionary') cases approved (subject to affordability):

prioritised on clear evidence of vfm

occasionally requiring further assurance or contract confirmation

- ❖ Reserve pots are held for speedy response to issues
- ❖ **Strategic goal: minimize under spend while maximising delivery of benefits**



2011/12 Capital Portfolio Benefits



March 2011 C-AP agreed allocations for Core Defra and Network Bodies based on prioritisation of bids

C-AP delegated management of non-ministerial Capital to Heads of Profession/Function (HoP/F) Panel



HoP/F Panel met every six-eight weeks throughout year to review overall position, prioritise new bids, look ahead to requirements for future years

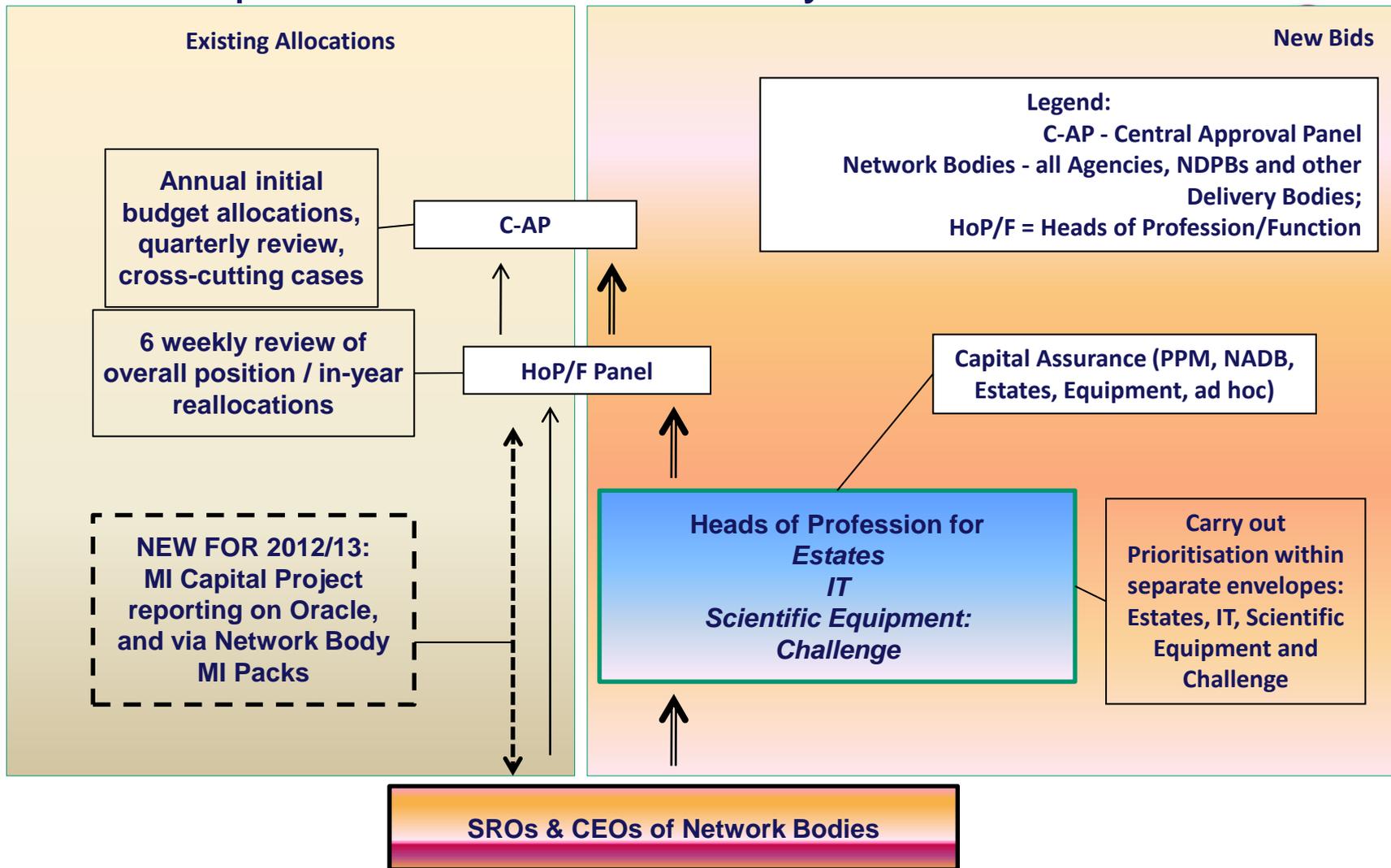
Calls were issued for new bids as position became clearer and under spends emerged

New allocations approved by HoP/F Panel from under spend

Budget switches approved in late December

Final position for 11/12 capital showed under-spend of 0.1% – well within HMT control limits of 2%!

12/13 Capital Processes Summary



Defra Approach to full Portfolio Optimisation

(incl. lessons learned!)



Engage SROs earlier in how to quantifying value and agreeing the level of granularity:



Value = Net contribution to Business Plan priorities weighted by 0-1 score for

**{ legislative driver, public
concern, political imperative }**

weighted by 0-1 score for likelihood of success

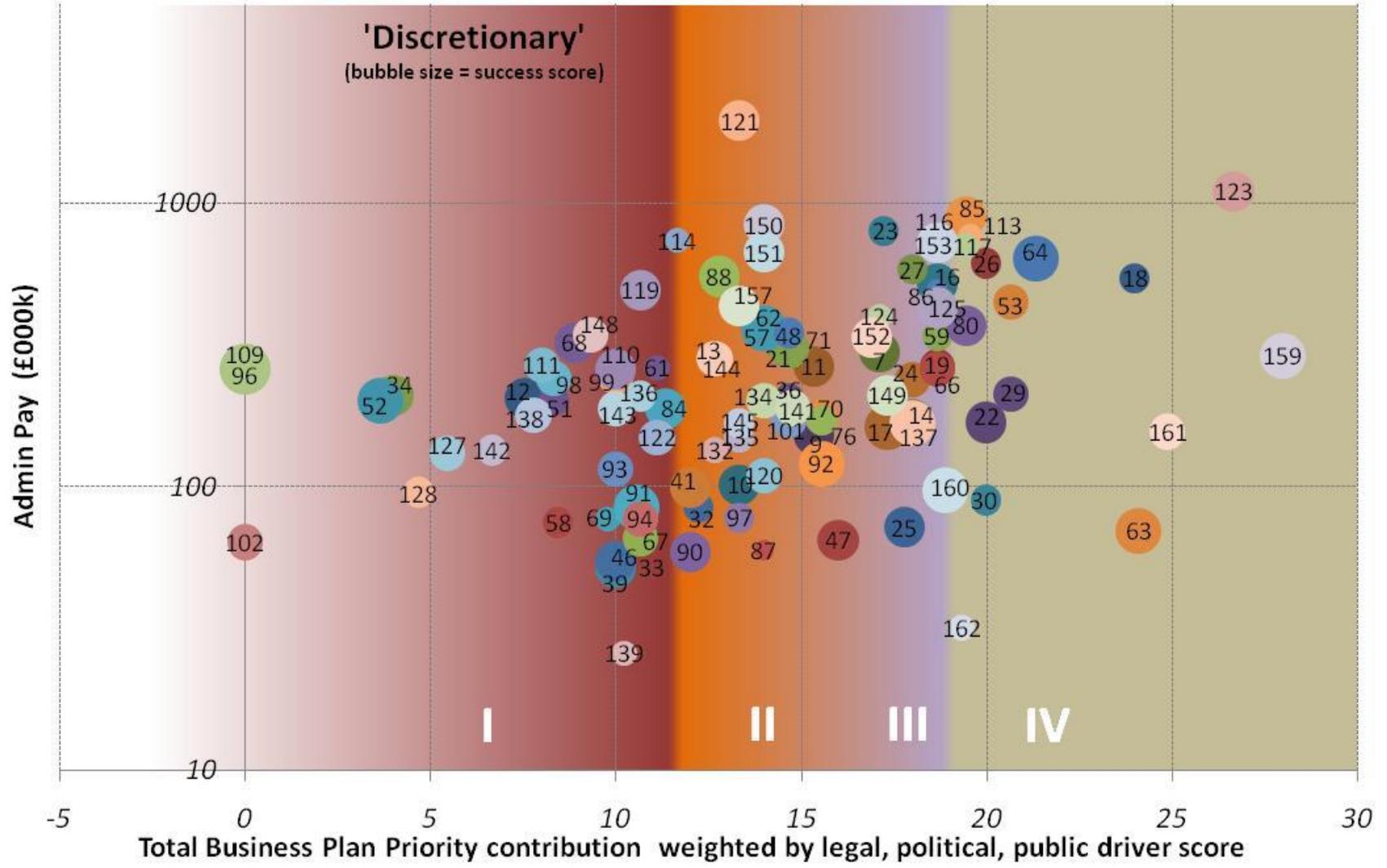
← Risk of non-delivery

Engage SROs continuously in validation of the data

Engage Finance from the start – should be a part of PfM from the beginning

Separate out the Irreducible Core from Discretionary





So what were the benefits...

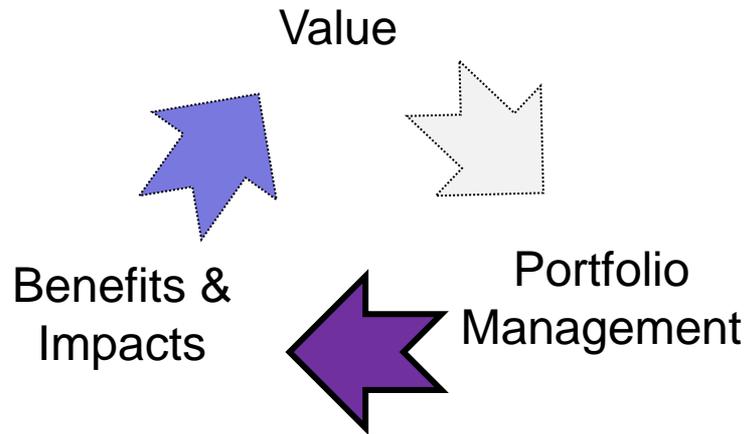


Value was improved!

But more specifically:

- ⌘ Redesign of the portfolio was easier if you have mapped alignment projects and programmes to strategic goals.
- ⌘ Finances are better controlled – less than 0.1% under spend in the case of Capital.
- ⌘ Nothing is out of scope of the portfolio – there is nowhere to hide.
- ⌘ Savings and clearer understanding of work to be carried out, through business case development and approvals process – nearly 60% of cases are turned away.

To recap ...



Approval Panels

Portfolio Modelling

Spending Review