
Risk Appetite Statement

Executive summary

In October 2020, the Council took part in a workshop to discuss the appropriate risk appetite for the HCPC in light of our new strategy. The categories and levels of risk were agreed but a fuller Risk Appetite Statement (RAS) was to be created to replace the current statement.

The Audit and Risk Assurance Committee reviewed a draft RAS statement in November 2020, and since then the Executive has consulted with members on this statement and adjusted it in response.

The presented statement is the result of this feedback and the Council is now invited to adopt the statement as it's articulation of the HCPC's risk appetite.

Decision	Council is invited to adopt the presented statement as the HCPC's Risk Appetite Statement.
Previous consideration	The presented statement was discussed with the Audit and Risk Assurance Committee in November 2020, and consultation with Council members since then has further developed the statement.
Next steps	The Executive will present new Strategic Risks, aligned to the new Corporate Strategy, to the Council at its March meeting for approval.
Strategic priority	The risk appetite statement is relevant to all strategy priorities, as it articulates our approach to taking risk in furtherance of achieving our strategy.
Financial and resource implications	None.
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HCPC Risk Appetite Statement

1. Introduction

- 1.1 The Audit and Risk Assurance Committee identified the HCPC's Risk Appetite Statement (RAS) as needing review in light of our new Strategy. It was acknowledged that the HCPC's proposed Corporate Strategy 2021-26 was ambitious, and that appetite for risk would need to be aligned.

2. Council and SMT Workshop

- 2.1 On 21 October, the Council and SMT took part in a facilitated workshop on risk appetite. This was a positive session for moving us on in developing a collective understanding of our risk appetite.

- 2.2 It was proposed the following categories are used for the risk appetite areas.

- **Regulatory quality** - how will we deliver effective regulatory functions?
- **Compliance** - how will we comply with our statutory, regulatory and policy requirements?
- **Communication and profile** - how will we be perceived by our stakeholders?
- **People** - how will we be perceived by our workforce?
- **Finance and Value for Money** - how will we use our resources?

- 2.3 As part of the workshop, breakout groups (A B C & D) agreed where they would place the HCPC's risk appetite for the new categories. In doing so they referred to a risk appetite matrix (appendix A). The resulting picture was as below

	Minimal	Measured	Open	Seeks
Regulatory quality			D A B C	
Compliance		A C D	B	
Communication			D	A B C
People			D	A B
Financial/VFM		C D	A	B

- 2.4 Positively there was minimal spread in most areas, which financial having the widest spread. There was a strong consensus that the HCPC needed to increase its risk appetite in communication and profile.

- 2.5 Similarly, with refocusing the previous public protection area on regulatory quality there was consensus that the HCPC's previous minimal appetite, followed for many years, had not been successful in preventing the FTP

performance issues currently ongoing. There was a strong appetite for trying a higher risk approach in regulatory quality.

2.6 The groups made the following points to consider in agreeing a final risk appetite statement:

- PSA standard performance should be considered within the compliance heading rather than regulatory quality. If it were included in regulatory quality, it would dominate consideration of risk.
- In Financial and VfM an open approach would assist with pace or regulatory quality improvement. Some members also felt that as the HCPC has a relatively static and stable income we should be able to be more open to financial risk. However, there was hesitancy to move to this approach to risk in this area due to the nature of the HCPC's funding being registrant's fees.
- Quality and the need to encourage new ideas and innovation should underpin everything.
- There needed to be a stronger focus on people, moving away from a process dominated view.
- The Council and SMT would need to be aware of realities of a higher risk approach and be ready to respond to any consequences. Similarly, if inviting more challenge, we must think about how that feels for employees, and what do we do to support them.
- There was a potentially tension between a measured appetite for financial risk and a more open appetite for trying new regulatory approaches, as investing in new approaches was likely to be less certain in terms of return.

3. Audit and Risk Assurance Committee

3.1 The developed draft of a new RAS was considered by the ARAC at its meeting in November 2020. The Committee was supportive of the draft with some minor amendments and it was agreed that wider Council consultation would take place to ensure resonance with members on an individual as well as a collective basis.

4. Council member consultation

4.1 Members have provided the Head of Governance with their reflections on the draft new RAS. Many of these comments have been incorporated into the final RAS presented today for approval as denoted by red text. The RAS has benefited from these inputs and the result is a statement more tailored to the HCPC's situation.

4.2 The following points were made separate from suggested amendments to the text of the RAS:

- Learning from the exercise of the new risk appetite to decisions should be captured

- While we can set a risk appetite and have an agreed approach as a baseline, the individual circumstances of a decision will need to be considered and flexibility maintained to ensure the right decisions are made
- There was a suggestion of adding a section on where assurance is gained. The HCPC assurance map is a document the ARAC uses which charts sources of assurance for business areas. The document is currently undergoing update for presentation at the March ARAC meeting.
- Council will need to regularly remind itself of the agreed risk appetite, and work to ensure risk is considered actively in decision making.

5. Decision

5.1 The Council is invited to:

1. Adopt the Risk Appetite Statement as set out at appendix 1.
2. Reflect on how the HCPC can ensure risk appetite is considered in decision making.
3. One area the Executive has raised for clarity of meaning is what the Council understands limited financial loss to mean in the statement 'We are prepared to accept possibility of limited financial loss where it does not have the potential to impact on our going concern.'

Appendices

- Appendix 1 – proposed Risk Appetite Statement for adoption
- Appendix 2 – HCPC's current Risk Appetite Statement

Risk Appetite Statement

Our vision is to be a high performing, adaptable and caring regulator that ensures public protection through strong, evidence-based regulation. The HCPC has agreed the following statement of its appetite for taking risk in the furtherance of achieving this vision.

Regulatory Quality - Open

How will we deliver effective regulatory functions?

- Our focus is on long term and lasting quality in our regulatory delivery. We have to take risk and challenge ourselves to achieve **positive change**. Sticking with a low risk status quo will **limit our progress**.
- We are open to risks that will further us in our aim of delivering excellent regulatory functions.
- We are prepared to try new approaches that do not have a guarantee of success where the potential benefits of success outweigh the consequences of failure.
- **We proactively seek to reduce public protection risk through the promotion of professionalism and prevention.**
- The risks we are willing to take do not have a significant chance of long-term negative impacts on our regulatory quality. We accept that in striving for excellence and trying new approaches, short term issues may arise which we will seek to mitigate as best we can.
- It is **essential** that mitigations to ensure ongoing public protection are in place as a foundation of taking risks to improve our regulatory quality.

Compliance – Measured

How will we comply with our statutory, regulatory and policy requirements?

- We have a preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
- **We are willing to take decisions that could be challenged only where we are confident we would be successful in defending against such challenge, and the adverse consequences of being unsuccessful are minimal.**
- We are willing to take low level risks of negative PSA performance impact given the appropriate controls are in place and we consider the potential benefits are required to maintain or improve our PSA standard performance.
- **It is essential that the long-term achievement of PSA standards is assured.**

Communication and Profile – Seeks

*How will we be **viewed** by our stakeholders?*

- **We are eager to be innovative in content and method in order to communicate more effectively, despite greater inherent risk.**
- We are willing to express our views and communicate on issues where stakeholder opinion is divided, **but where the HCPC has a legitimate voice and the Council has an agreed policy position.**

- In communicating our views, we are willing to accept the possibility of **manageable** reputational risk or a negative, **but not irreversible**, impact on a stakeholder relationship.
- We acknowledge that being bold in communicating our position may lead to increased scrutiny from stakeholders. We accept this risk as being necessary to enable the HCPC to assert its voice and shape debate in the furtherance of excellence in regulation.
- **We seek meaningful two way dialogue with our stakeholders, even where this may pose a risk to our profile due to uncomfortable feedback.**
- **It is essential that the HCPC's voice is not perceived to be party political. The HCPC is neutral as a public body.**

People – Seeks

How will we lead our workforce?

- We are eager to be innovative and to choose options that **increase our effectiveness as an organisation** despite greater inherent risk.
- We are prepared to accept risk as long as there is the potential for improving **culture**, recruitment and retention.
- We **want** to innovate to improve our culture **and working environment**.
- We are willing to review and restructure where this is needed, accepting the potential for short term **disruption** in order for the HCPC to benefit from better ways of working.
- **It is essential that risk taking in this area is consistent with the HCPC's values and culture. As an employer are committed to upholding and promoting Equality, Diversity and Inclusion.**

Financial and Value for Money – Measured

How will we use our resources?

- We are prepared to accept possibility of limited financial loss where it does not have the potential to impact on our going concern.
- Value for money is our primary concern in financial expenditure but we are willing to consider other benefits or constraints.
- We are funded through registrant fees and we have a responsibility to ensure we invest cautiously to minimise loss **while maximising benefit**.
- We accept that investments may be long term and take time to deliver rewards, **appropriate benefit realisation monitoring is required to mitigate risk in investments.**
- It is **essential** we remain a financially viable organisation to ensure continued public protection through continued operation. Significant financial risks are not compatible with this requirement.

HCPC Risk Appetite

Risk appetite is defined by the Council and informs the decisions of employees and Council. It will be reviewed when there is a significant change in our business.

The appetite has been stated previously as **low** or risk averse, but in practice some decisions have been higher risk (eg allocating additional resource to improve Fitness to Practice, restructuring SMT, embarking on the building project). Some risks will not be mitigated to a low level, as deploying resources to do so would be disproportionate or have an adverse effect elsewhere, or the risk is outside the control of the HCPC. The HCPC tolerates this (target or expected) level of risk.

We can describe the level of risk the HCPC will accept or tolerate for various elements as minimal, measured, open, or seek.

Public protection

The Council takes a **minimal** approach to public protection risks. Public protection is our aim and our strategy and processes are intended to provide this.

Compliance

The Council takes a **minimal** approach to compliance and regulatory risk. We will meet the law, regulations or standards in place to protect the public and employees and to protect data.

Communication

The Council is **open** to communicating and taking decisions, even when this may be unpopular, to further public protection.

Innovation

The Council **seeks** innovation that supports public protection, quality and efficiency. We balance embracing new technology and ideas with impact and financial investment and assess projects accordingly.

People

The Council is measured in its approach to risk in this area. It is prepared to take decisions that would have a positive or negative impact on employee morale if there are compelling arguments supporting change.

Infrastructure

The Council will take a **measured** approach when investing in building and equipment maintenance and replacement, but may take informed risks if the benefits merit that.

Financial

The Council takes a **minimal** approach to incurring financial loss. We are funded by registrants' fees and need to deliver value for money. We will allocate additional resource in areas where not to do so incurs greater risk or there are compelling benefits. We tend to favour investments that offer low returns but low volatility and risk.