

Risk Appetite Review

Executive Summary

This paper presents the outcome of the 2023 review of the HCPC's Risk Appetite Statement, including the proposed new risk types and risk appetite, based on the input from the Council and Executive leadership teams.

The Audit and Risk Assurance Committee (ARAC) discussed the risk appetite review and statement at its meeting on 20 September 2023. The draft risk appetite statement has been updated following the feedback from this meeting.

The Council is invited to discuss and approve the revised Risk Appetite Statement.

Previous consideration	The proposed new Risk Appetite Statement was discussed by ARAC at its meeting on 20 September 2023.
Decision	Council is asked to discuss and approve the outcome of the risk appetite review and statement.
Next steps	Following Council's approval, the statement will be communicated to the wider employee body, with supporting sessions to ensure understanding.
Strategic priority	Strategic priority 5 – Build a resilient, healthy, capable and sustainable organisation.
Financial and resource implications	None as a result of this paper.
EDI impact	The risk appetite statement will have an impact across decision making and investment across the HCPC, having direct or indirect impact to EDI. This will be managed through existing mitigations.
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HCPC Risk Appetite Review 2023

1. At its most fundamental level, risk appetite is “the level of exposure an organization is willing to take” in pursuit of strategic objectives, according to the [ISO 31000:2018](#) standard on Enterprise Risk Management. Council expresses the level of risk they’re willing to take in a specific area through a risk appetite statement, which is used to inform decision making across the organisation.

2. CEB/Gartner explains that a well-defined and properly communicated risk appetite statement:

...creates a set of guardrails for managers to operate within when making strategic decisions. It also provides a tool for communicating the role of guardrails in the decision-making process and for confirming that individual parts of the business are independently and collectively operating within those guardrails.

3. The HCPCs risk appetite was last reviewed in 2020 (Appendix 1) following a workshop held with Council and the Executive Leadership Team. Since then, the approach and culture of risk and assurance has matured within the organisation, and the challenges that the HCPC will face in the next 2 years have changed, as is to be expected.

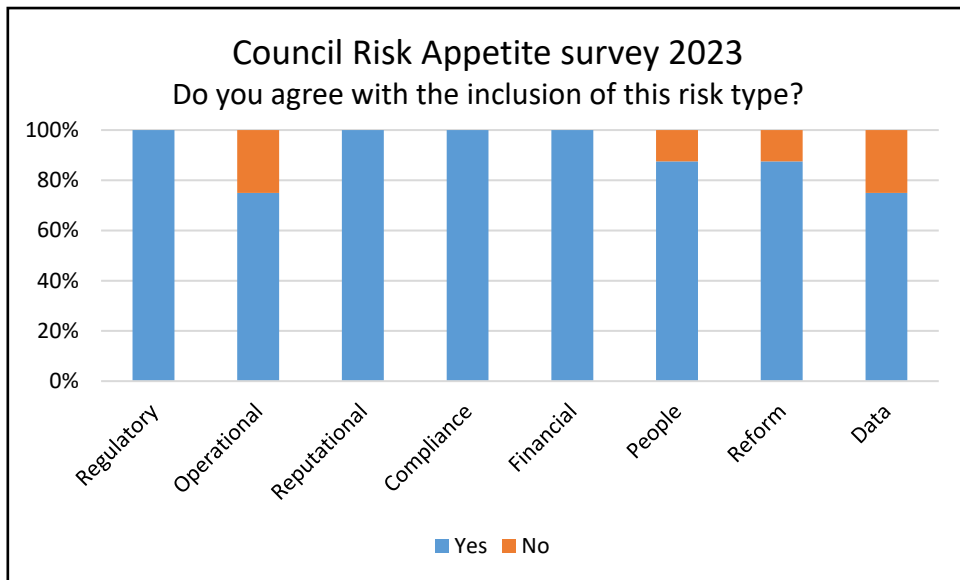
4. In order to identify and define the new risk appetite, workshops were held with the Senior Leadership Team (SLT) and Executive Leadership Team (ELT). These workshops identified the risk types most pressing for the HCPC, as well as Executive appetite in managing these risks.

5. Following workshops, the risk types have been reviewed and revised to reflect the landscape of the coming two years. These risk types were:

- **Regulatory** (formerly *Regulatory Quality*): delivery of our regulatory requirements, including Registration, Education, FTP and setting of standards.
- **New Operational**: areas such as infrastructure, IT, Estates & Office Services, Facilities.
- **Influence & Leadership** (formerly Communication & Profile): areas such as communication, media handling, stakeholder engagement, reputation, profile, visibility and perception.
- **Compliance** (no change): covers the compliance with externally set standards, including but not limited to PSA, ISO, GDPR & ICO, External Audit, Health & Safety, and Environmental.

- **Financial** (no change): covers areas such as value for money, budget planning, financial loss, financial investment.
- **People** (no change): covers areas such as the people strategy, retention, learning & development, performance management, accountability, recruitment, and partner management.
- **New Reform**: covers the opportunities of change and innovation available with reg reform for all regulatory areas.
- **New Data**: covers the sharing of data, data quality, and data analysis. *(Please note data protection is covered by the Compliance risk type)*

6. Using this information, Council members were asked to complete a survey on the new risk types, and the risk appetite level. Of the 8 responses, the majority agreed with the inclusion of the revised risk types, though there were questions on how the types should be separated:



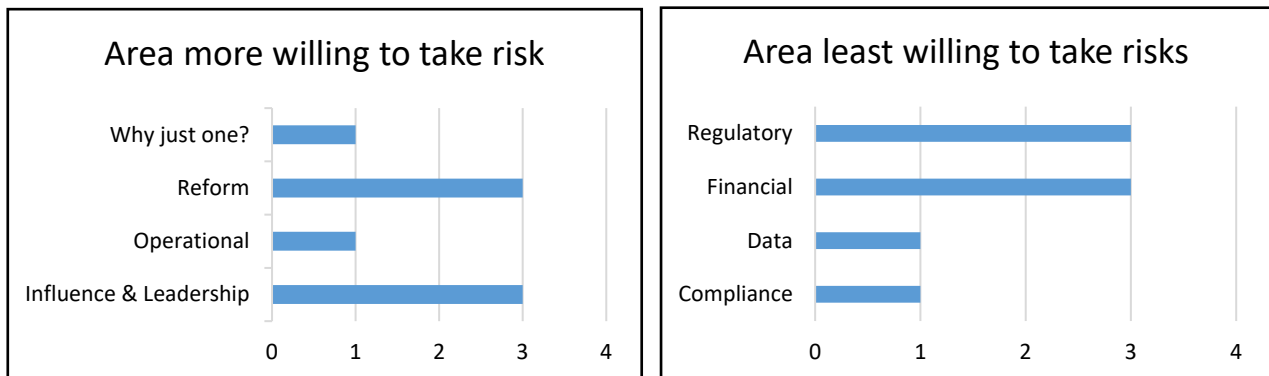
7. Comments received on risk types:

Operational:	}	<p>"Agree these things should be included but operational too broad if there's separate finance and HR types, which I agree there should be. Maybe infrastructure?"</p> <p>I'm not sure that this does not overlap somewhat with financial, people and data. Do we need to group risks more or make them more explicit? if the latter then happy to include it if the former then it is not necessary.</p>
People:	}	<p>"As above in relation to overlap with operational risk."</p>
Reform:	}	<p>"While this is a risk it's too specific for risk appetite"</p>
Data:	}	<p>"While this is a risk it's too specific for risk appetite"</p> <p>"As above in relation to operational"</p>
Any other risks?	}	<p>"Risk of over-complexity and malfunctioning processes, process and complexity risk?"</p>

8. Following this feedback:

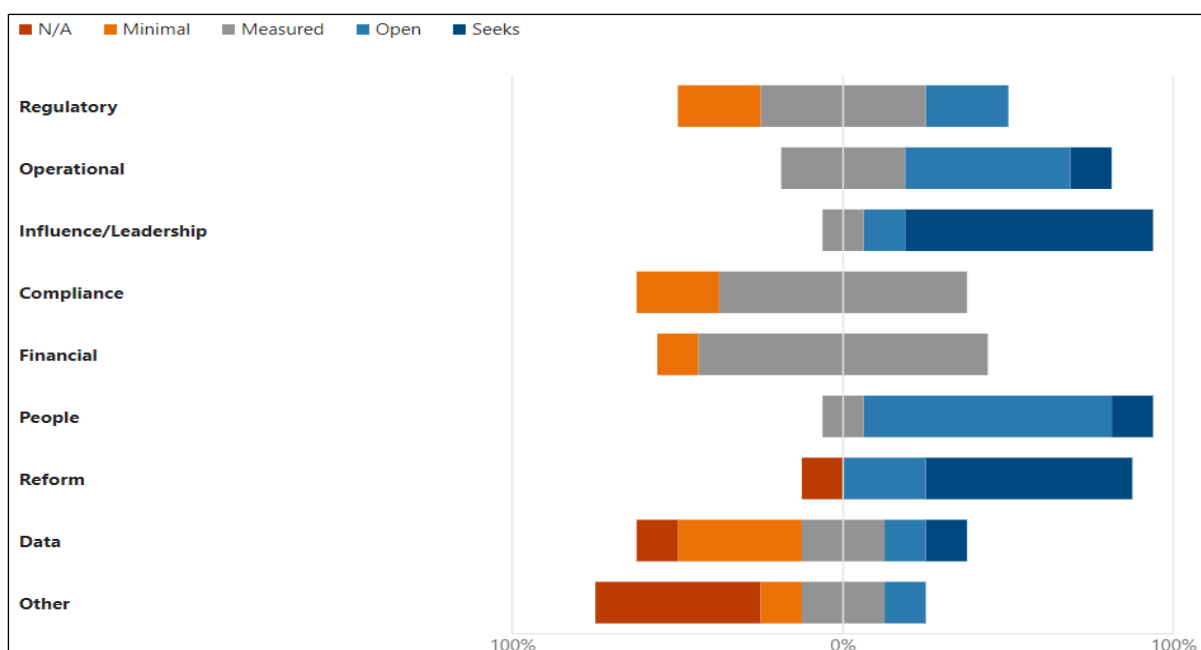
- We recommend that the Operational risk type is removed and **Financial**, **People** and **Data** remain as separate risks. As such, Estates will be covered by Financial, and IT and cyber risk will be covered by Compliance with data protection.
- Due to the real probability that the HCPC will be focusing on delivering Regulatory Reform successfully over the next two years, keeping this risk separate from Regulation (and BAU) allows the risk appetite statement more accurately provide guidance for decisions and decision makers. As such we suggest **Reform** remain an independent risk.
- While there is a risk with change that processes may become unnecessarily complex or malfunction, this is not a risk which drives or guides what changes are made and so not appropriate when talking about the risk appetite. However, this risk will be considered and mitigated against through the change management process.

9. In addition to the risk types, Council members were asked what area the HCPC should be more willing to take risk in, and what area the least willing:



10. This is consistent with the answers received when Council members were asked to define their risk appetite against the four categories:

- **Minimal:** Preference for ultra safe delivery option that allows degree of inherent risk and only limited reward potential.
- **Measured:** Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
- **Open:** Willing to consider all potential delivery options while also providing an acceptable level of reward and VFM.
- **Seeks:** Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risk



11. It is positive to see that generally Council, ELT and SLT are aligned in their risk appetite, with only minor divergence:

	Minimal	Measured	Open	Seeks
Regulation <i>(Registration, Education, FTP, Policy & Standards)</i>		Council ELT SLT	ELT	
Influence/Leadership <i>(Engagement, comms, profile, reputation)</i>			SLT	Council ELT
Compliance <i>(PSA, ISO, ICO, Environmental, H&S, etc)</i>		Council ELT SLT		
Financial <i>(Finance, VFM, Estates)</i>		Council ELT SLT		
People <i>(Employees & Partners)</i>			Council SLT	ELT
Reform <i>(Regulatory Reform)</i>			ELT SLT	Council
Data <i>(Quality, analysis, sharing)</i>		Council	ELT SLT	

12. It is clear that there remains a keen focus on People and Influence/Leadership from all of our leadership team. It is also clear that there is the appetite for innovation and being open to risk when approaching Reform.

13. These findings, along with the first draft of the new risk appetite statement were discussed at ARAC on 20 September 2023. The response from the committee was in broadly in favour of the recommended risk appetite.

14. The committee provided comments on the phrasing of what could be considered conflicting sentences under the **Influence/Leadership** risk type, also

recommending making the statement less passive. This feedback was taken, and the **Influence/Leadership** definition has been updated to provide more clarity and direction.

15. The Committee also discussed the risk appetite for **Regulation** being set at Measured. There was a worry that this this would allow for improvements more readily than if the profile was set at Minimal. It was highlighted that the current statement includes boundaries of that are essential to safeguard no matter the appetite. These have now been included in the draft risk appetite statement to support more informed decision making.
16. Following Council approval, the risk appetite statement will be communicated to leadership and the wider organisation, with supporting sessions to ensure understanding.
17. The statement will be used in Q3 for 2024-25 investment planning and embedded as a decision making tool across the HCPC. This will be monitored by the Head of Assurance and Compliance to ensure risk appetite is considered at all appropriate decision points.

Council is invited to discuss and approve the revised risk appetite statement.

Draft HCPC Risk Appetite Statement 2023

Regulation – Measured (Registration, Education, FTP, Policy & Standards)

Our focus is on long term and lasting quality in our regulatory delivery. We prefer safer delivery options for meeting our requirements as a regulator, accepting a measured degree of residual risk and choosing the option most likely to result in successful delivery in order to continue as an effective regulator.

It is **essential** that mitigations to ensure ongoing public protection are in place as a foundation of taking risks to delivering regulatory requirements.

Influence/Leadership – Seeks (Engagement, comms, profile, reputation, influence)

We are willing to take decisions which are likely to bring additional scrutiny of the organisation. We outwardly promote new ideas and innovations where potential benefits outweigh the risks.

It is **essential** that the HCPC's voice is not perceived to be party political. The HCPC is neutral as a public body.

Compliance – Measured (PSA, ISO, ICO, Environmental, H&S, etc)

We have a preference for safe delivery options with little residual risk. We want to be reasonably sure we would win any challenge. Data protection, IT and cyber security are covered by this risk type.

It is **essential** that the long-term achievement of PSA standards is assured.

Financial – Measured (Finance, VFM, Estates)

We will pursue safe delivery options, accepting small residual financial risk only if that could yield upside opportunities. Value for money, affordability and long-term financial sustainability are our primary financial concerns in fulfilling our regulatory responsibilities, but we are open to considering other benefits and constraints in evaluating financial plans.

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.

People – Open (Employees & Partners)

We aim to invest in our people to create innovative mix of skills environment. We are prepared to accept risk as long as there is the potential for improved culture, recruitment and retention.

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.

Reform – Open (Regulatory Reform)

We support innovation, with demonstration of benefit or improvement in service delivery. We are receptive to taking difficult decisions when benefits outweigh risks. Processes, oversight and monitoring arrangements enable considered risk taking.

It is **essential** that the opportunities taken with regulatory reform are fully evidenced and cross organisational impact is considered and documented

Data – Open (Quality, analysis, sharing)

We accept need for operational effectiveness in distribution and information sharing. We support innovation and new approaches, as long as there is the potential for improved data quality. *(Please note data protection is covered by the Compliance risk type)*

It is **essential** that we understand our data when sharing and publishing analysis.

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 the 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.