
HCPC Risk Appetite Review

Executive Summary

The HCPC is reviewing the way we consider risk, both strategic and operational risk.

Part of this is a review of the HCPC's Risk Appetite. The enclosed paper outlines the steps we have taken to inform the review and proposes a new Risk Appetite statement to consult the Council and SMT on.

Previous consideration	The Committee considered plans for the review at its meeting in September 2020. The current appetite was set in 2018.
Decision	The Committee is invited to provide feedback on the report. Three questions are set out within the paper
Next steps	Following Audit Committee feedback, the draft Risk Appetite will be tested with Council and SMT members and presented to Council for adoption in early 2021.
Strategic priority	The strategic priorities set in 2018 are no longer current. We are developing a new strategy that we aim to confirm at the end of 2020.
Risk	Risk appetite sets out the HCPC's approach to risk according to type. A clear articulation of the Council's risk appetite will mitigate strategic risk 5, failure of leadership, governance and culture, by setting clear expectations of appropriate risk taking.
Financial and resource implications	No resource implications of this development work.
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HCPC Risk Appetite Review

1. The Audit Committee has previously considered a plan to refresh our risk appetite. 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. On 21 October, the Council and SMT took part in a workshop on risk appetite. This was a positive session for moving us on in developing a collective understanding of our risk appetite.
3. 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?
4. When comparing against our current risk appetite statement (appendix B) the following changes should be noted
 - The standalone area of innovation has been removed, as innovation was not something the HCPC did for its own sake. Innovation is something we wanted to encourage in all areas of the HCPC.
 - Public protection has been redefined as regulatory quality.
 - Communication includes the HCPC's reputation and profile.
 - The area of infrastructure has been incorporated into finance and value for money. When the last risk appetite was agreed the issue of buildings was a higher profile issue for the HCPC given the project to renovate the building. We no longer feel our risks related to this requires separate consideration in our appetite and can be considered as part of a wider Finance and value for money appetite.

Q1 – Does the Audit Committee have any comments on the proposed categories?

5. As part of the workshop, breakout groups 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 C	A B
Financial/VFM		C D	A	B

6. 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.
7. 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.
8. 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.

Q2 – Does the Audit Committee have any comments on these points raised?

9. The following emerging risk appetite statement is presented to the Audit Committee for discussion. Taking on board any comments, this statement will be tested for resonance with Council and SMT members, as well as the wider employee group.

Q3 – The Audit Committee is invited to discuss and provide feedback on the draft risk appetite statement.

Draft HCPC Risk Appetite Statement

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 this. Sticking with a low risk status quo will keep quality static.
- The HCPC is 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.
- It is **essential** that mitigations to ensure ongoing public protection are in place as a foundation of taking risks to improve our regulatory quality.
- 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.

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 win and the adverse consequences of losing 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.

Communication and Profile – Seeks

How will we be perceived by our stakeholders?

- We are eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk.
- We are willing to express our views and communicate on issues where stakeholder opinion is divided.
- In communicating our views we are willing to accept the possibility of reputational risk or a negative 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.

- We outwardly promote new ideas and innovations where potential benefits outweigh the risks.

People – Seeks

How will we be perceived by our workforce?

- We are eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk.
- We are prepared to accept risk as long as there is the potential for improved culture, recruitment and retention.
- We are willing to review and restructure where this is needed, accepting the potential for short term impacts on morale in order for the HCPC to benefit from better ways of working.
- We are willing to innovate to improve our working culture.

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 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.
- 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.

Next steps

10. Following Audit Committee's feedback, the draft risk appetite statement will be consulted on with Council and SMT members and tested with employees for understanding.
11. A final statement will be presented to the Council at its February 2021 meeting for adoption.
12. New strategic risks will be discussed by the SMT with the output of a set of draft risks for discussion with the Audit Committee and Council in early 2021, following the expected approval of the Corporate Strategy in December 2020.