
HCPC Risk Appetite Review 2023

Executive Summary

This paper presents the outcome of the 2023 review of risk appetite and proposed a new risk appetite statement for recommendation to Council. The paper discusses new risk categories and the feedback received from Council members, the Executive Leadership Team and Heads of Function.

The Committee are asked to discuss this paper and answer the following:

Q1 – Does the Committee have any comments on the proposed risk types?

Q2 – The Committee are invited to discuss and provide feedback on the draft risk appetite statement.

Appendix 1: Risk Appetite approved February 2021

Appendix 2: HCPC Risk Appetite Survey 2023 Microsoft Forms

Previous consideration	The review was requested by the Council. The current risk appetite can be found here and was approved in February 2021.
Decision	The Committee are asked to discuss the outcome of the risk appetite review and recommend submission to Council.
Next steps	Following the Committee’s feedback, A final statement will be presented to the Council at its October 2023 meeting for approval.
Strategic priority	Strategic priority 1 – Continuously improve and innovate 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 final risk appetite statement will be tested through an Equality Impact Assessment
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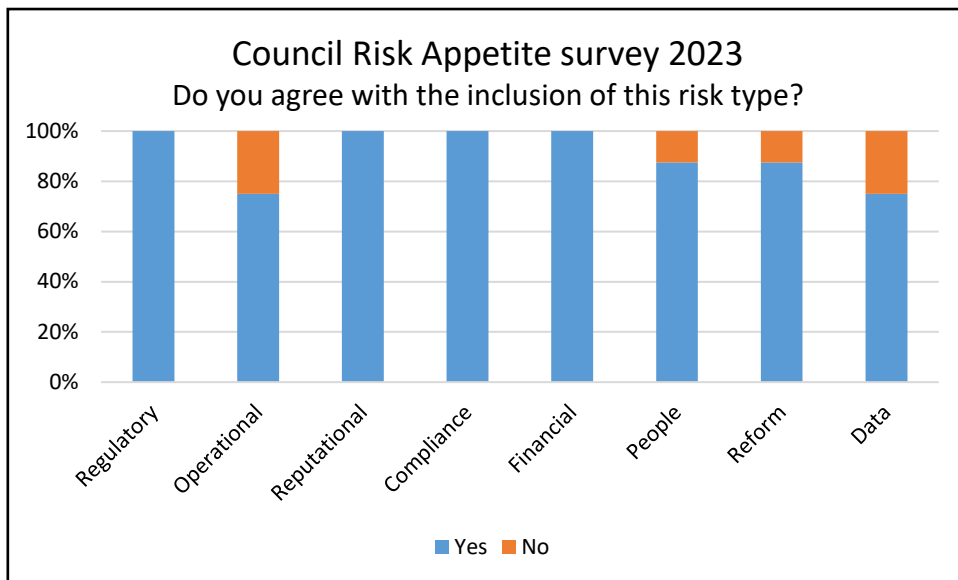
HCPC Risk Appetite Review 2023

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 (Appendix 2) 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:

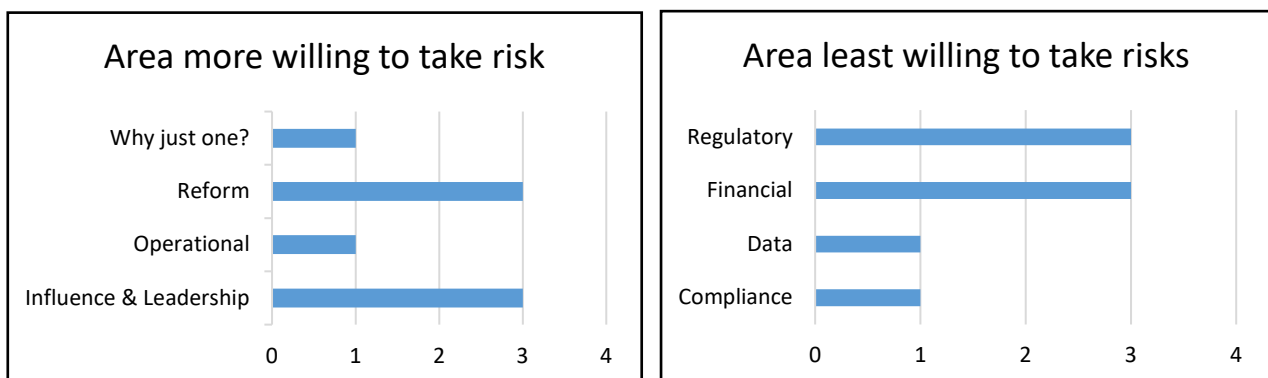
Operational:	}	<p>"Agree these things should be included but operational too broad if there's separate finance and HR types, which I agree there should be. Maybe infrastructure?"</p> <p>I'm not sure that this does not overlap somewhat with financial, people and data. Do we need to group risks more or 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.

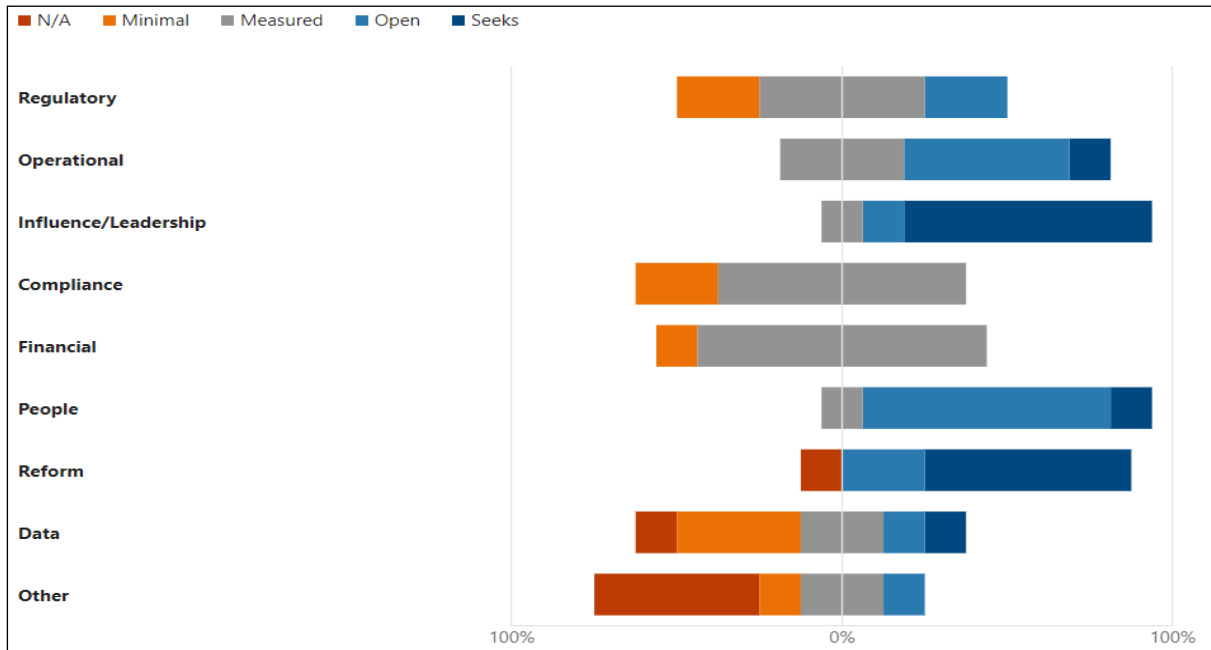
Q1 – Does ARAC have any comments on the proposed risk types?

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 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. The following draft risk appetite statement is presented to the ARAC for discussion. Taking on board any comments, this statement will then be tested with Council, ELT and SLT.

Q2 – ARAC are invited to discuss and provide feedback on the draft 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 have a preference for 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.

Influence/Leadership - Seeks

(Engagement, comms, profile, reputation, influence)

We are eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk. We are willing to take decisions which are likely to bring additional scrutiny only where potential benefits outweigh risks.

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.

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.

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.

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.

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)*

Next steps

11. Following ARAC's feedback, the draft risk appetite statement will be presented to council for approval and communicated to SLT and the wider organisation.
12. A final statement will be presented to the Council at its November 2023 meeting for adoption.
13. The new risk appetite will be considered as part of the investment planning for 2024-2026.

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.

HCPC Risk Appetite 2023

The purpose of this survey is to gain understanding of the Risk Appetite of Council following a review of the risk types, last defined in 2021.

An organisation's Risk Appetite is "The amount and type of risk that an organisation is prepared to pursue, retain or take in pursuit of strategic objectives" according to the ISO 31000:2018 on Enterprise Risk Management standard.

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.

Following workshops with ELT and Heads of Function the risk types have been reviewed and revised to reflect the types of risk we face in the coming two years. These risk types are:

Regulatory Quality > **Regulatory**

New **Operational**

Communication & Profile > **Influence & Leadership**

Compliance > **Compliance**

Financial/VFM > **Financial**

People > **People**

New **Reform**

New **Data**

* Required

Setting Risk Types

1

Full name *

2

Risk Type: **Regulatory** – How do we deliver quality regulation?

This risk type covers the delivery of our regulatory requirements, including registration, education, FTP and setting of standards.

Do you agree with the inclusion of this risk type? *

Yes

No

3

If no, please give details below *

4

Risk Type: **Operational** – How do we manage the organisation infrastructure?

This risk type covers areas such as infrastructure, IT, Estates & Office Services, Facilities.

Do you agree with the inclusion of this risk type? *

Yes

No

5

If no, please give details below

6

Risk Type: **Influence & Leadership** – How do we communicate, engage and influence with our stakeholders?

This risk type covers areas such as communication, media handling, stakeholder engagement, reputation, profile, visibility and perception.

Do you agree with the inclusion of this risk type? *

Yes

No

7

If no, please give details below

8

Risk Type: **Compliance** – How will we comply with our statutory, regulatory, environmental and policy requirements?

This risk type covers the compliance with externally set standards, including but not limited to PSA, ISO, GDPR & ICO, External Audit, Health & Safety, and Environmental.

Do you agree with the inclusion of this risk type? *

Yes

No

9

If no, please give details below

10

Risk Type: **Financial** – How do we manage our financial resources?

This risk type covers areas such as value for money, budget planning, financial loss, financial investment.

Do you agree with the inclusion of this risk type? *

Yes

No

11

If no, please give details below

12

Risk Type: **People** – How do we enable high performance of our workforce and partners?

This risk type covers areas such as the people strategy, retention, learning & development, performance management, accountability, recruitment, and partner management.

Do you agree with the inclusion of this risk type? *

Yes

No

13

If no, please give details below

14

Risk Type: **Reform** – How do we realise the benefits of regulatory reform?

This risk type covers the opportunities of change and innovation available with reg reform for all regulatory areas.

Do you agree with the inclusion of this risk type? *

Yes

No

15

If no, please give details below

16

Risk Type: **Data** – How do we manage and harness the data we hold?

This risk type covers the sharing of data, data quality, and data analysis.
(please note data protection is covered by the Compliance risk type)

Do you agree with the inclusion of this risk type? *

Yes

No

17

If no, please give details below

18

Are there any risk types that are missing? Please list below

Of these risk types, which one area do you think the HCPC should be more willing to take risks in *

- Regulatory
- Operational
- Influence & Leadership
- Compliance
- Financial
- People
- Reform
- Data
- Other

Of these risk types, which one area do you think the HCPC should take fewer risks in ^{*}

- Regulatory
- Operational
- Influence & Leadership
- Compliance
- Financial
- People
- Reform
- Data
- Other

Defining Risk Appetite

With the risk types in place, the risk appetite is defined against four risk categories: **Minimal, Measured, Open, Seeks**



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 to choose options offering potentially higher business rewards despite greater inherent risk

How would you define Councils risk appetite for each risk type for the next two years? *

	N/A	Minimal	Measured	Open	Seeks
Regulatory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operational	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Influence/Leadership	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compliance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
People	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reform	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Following the results of this survey, the Risk Appetite Matrix and Statement will be drafted for review by ELT and ARAC before going to Council for approval. A well understood and active risk appetite can be a useful tool in making informed and considered decisions.

How do you think the HCPC can best ensure this risk appetite is used to support decision making by Council and employees? *

Thank you for completing this survey on the HCPC's risk appetite.

Please share any further comments about the risk appetite or the survey below.

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