Audit Committee, 20 November 2018

Strategic Risks

Executive summary and recommendations

Introduction

This paper provides a commentary on progress to date against the planned actions set out in each of the strategic risks.

It also highlights a number of proposed changes that have been made following feedback from Council and after further discussion with the SMT. These include: clarification on timescales; an adjustment in the expected risk scores for risk 1 and 2 given the overall timeline of the strategic risks; the inclusion in Risk 4 of the development of the corporate strategy as a mitigation; and further detail in Risk 5 to highlight the SMT's role in leadership and culture.

Decision

The Audit Committee is asked to discuss and approve the changes to the strategic risks and the commentary on progress in relation to planned actions.

Background information

The Audit Committee first held a workshop on 5 February 2018 to develop a set of strategic risks, with a further workshop in June 2018. A final set of risks was agreed with both the Audit Committee and Council in September. The SMT will be reviewing the strategic risks monthly; this frequency will be reviewed after six months.

Resource implications

None

Financial implications

None

Appendices

Strategic Risks

Date of paper

12 November 2018

HCPC Strategic Risks

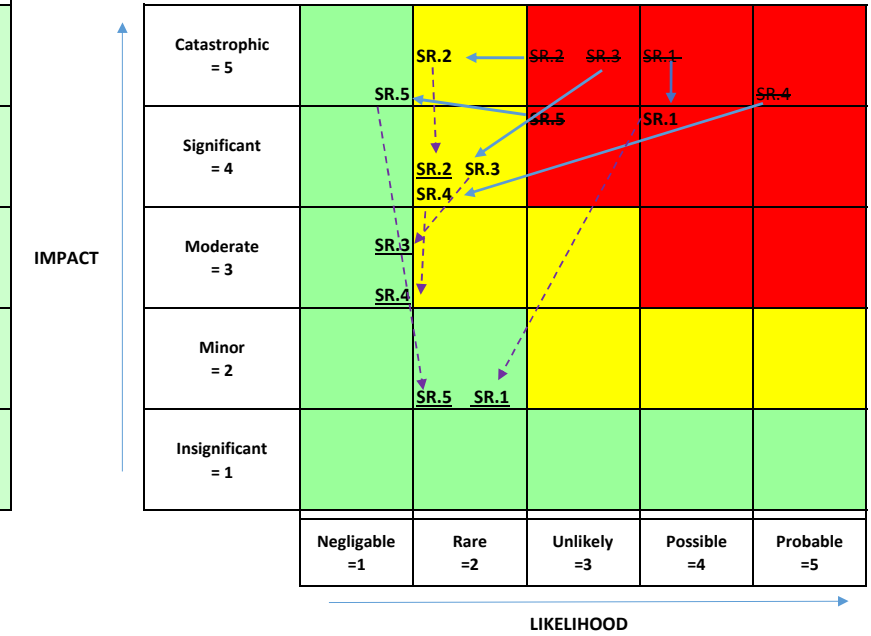**2018-19 to 2022-23**

Relationship with strategic priorities

SP1 Perf	SP2 Com	SP3 Adapt	SP4 Evid
■			
		■	■
	■		
		■	
		■	■

Summary of strategic risks

Strategic Risks - High Level	Risk Description	INHERENT RISK	RESIDUAL RISK	EXPECTED RISK*
1. Failure to deliver effective regulatory functions	This includes the inability to fulfill our statutory obligations set out in the Health and Social Work Professions Order and the failure to meet the PSA's Good Standards of Regulation.	20	16	4
2. Failure to anticipate and respond to changes in the external environment	This includes the ablity to respond and influence external drivers for change, like the impact of Brexit, devolution or a change in government as well as issues like workforce development, new and emerging professions or government policies affecting professional regulation. It also includes awareness and responsiveness to advances in technology and systems.	15	10	5
3. Failure to be a trusted regulator and meet stakeholder expectations	This risk includes the management of stakeholder engagement and key relationships as well as reputation management.	15	8	5
4. Failure to be an efficient regulator	This risk includes the operational failure of processes, or the inability to manage data efficiently as well the vulnerability of IT security. It also includes financial security, timely and accurate reporting and the recruitment, retention and training of Partners, Council and employees.	25	8	5
5. Failure of leadership, governance or culture	This risk includes the effectiveness of Council, strategy setting and oversight, risk management and business planning. It also covers organsitional culture including the existence of relevant policies for whistleblowing or anti-bribery for example and processes for performance development.	12	5	4

* Expected risk score post planned actions

STRATEGIC PRIORITIES DEFINTIONS

Strategic priority 1 = Performance = (SP1) Improve our performance to achieve the Professional Standards Authority's Standards of Good Regulation
Strategic priority 2 = Communication = (SP2) Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders
Strategic priority 3 = Adaptability = (SP3) Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment
Strategic priority 4 = Evidence = (SP4) Make better use of data, intelligence and research evidence to drive improvement and engagement

Heat map of strategic risks

IMPACT / LIKELIHOOD

Key

Risk = Impact x Likelihood	
Inherent Risk SR.x	That level of risk existing before any mitigations were put in place.
Residual Risk SR.x	That level of risk that the organisation has currently mitigated down to.
Expected Risk SR.x	That level of risk that the organisation finds desirable but may not have yet attained.

STRATEGIC RISK	RISK OWNER		Review period
1. Failure to deliver effective regulatory functions	SMT		Oct-18

RISK DETAIL	Inherent Impact	Inherent Likelihood	Inherent Risk	EXISTING CONTROLS / MITIGATIONS	Residual Impact	Residual Likelihood	Residual Risk	Planned actions 2018-19	Expected risk
This includes the inability to fulfill our statutory obligations set out in the Health and Social Work Professions Order and the failure to meet the PSA's Good Standards of Regulation. Specifically, Delivery of statutory obligations Breakdown of regulatory functions Failure to meet PSA standards	5	4	20	1) Adherence to operational processes and legal powers set out in statutory legislation 2) Regular review of resourcing requirements to ensure they are adequate 3) Regular training for Partners and employees 4) Scheduled Quality assurance and auditing processes 5) Delivery of workplans and monitoring through reporting/metrics 6) Information sharing through Memoranda of understanding 7) Learning through review of PSA performance reviews of other regulators and commissioned reviews within the sector	4	4	16	1) Completion of FtP improvement plan (March 2019) 2) Monitoring performance through performance report and KPIs (Ongoing) 3) Review of education quality assurance arrangements (June 2019) 4) Execution of the 5 year plan investment model 5) Proactive engagement with the PSA on the FtP improvement activities (ongoing) 6) Increased resource allocation to FtP to support open caseload reduction and increase capacity to manage new case fluctuations (March 2019)	4

RELEVANT STRATEGIC PRIORITIES

Strategic Priority 1: Improve our performance to achieve the Professional Standards Authority's Standards of Good Regulation

COMMENTS ON PROGRESS

The increase in open FTP caseload has been arrested, in part as a result of the additional resource allocated to FTP; recruitment to the additional FTP posts should be completed in Nov/Dec but in the meantime there is a reliance on temporary staff; the September KPIs for FTP show positive improvements in the length of time measures but there will continue to be variability influenced by the age of cases being concluded at the various stages of the process; delivery of the FTP Improvement plan continues to be on track; the GT internal audit report has been received and is broadly positive; and positive meetings have been held with CODH on establishing a stakeholder working group for the review of education quality assurance arrangements.

STRATEGIC RISK	RISK OWNER	Last Reviewed
2. Failure to anticipate and respond to changes in the external environment	SMT	Oct-18

RISK DETAIL	Inherent Impact	Inherent Likelihood	Inherent Risk	EXISTING CONTROLS / MITIGATIONS	Residual Impact	Residual Likelihood	Residual Risk	Planned actions 2018-19	Expected risk
This includes the ability to respond and influence external drivers for change, like the impact of Brexit, devolution or a change in government as well as issues like workforce development, new and emerging professions or government policies affecting professional regulation. It also includes awareness and responsiveness to advances in technology and systems.	5	3	15	1) SMT relationship building and liaison with key stakeholders particularly Government Departments, professional bodies, other regulators and suppliers 2) Horizon scanning and intelligence gathering including from relationship building to be aware of external drivers and influencers 3) Continued investment through major project process for the development of business processes and systems 4) Publication of FtP, Education and Registration information and datasets through annual reports and FOI requests	5	2	10	1) Development of organisational stakeholder matrix and development of personal engagement plans for SMT 2) Data strategy and inreased capacity for data intelligence and research projects through delivery of 5 year plan investment model 3) Collaboration with other regulators, for example MOUs or joint statements	5

RELEVANT STRATEGIC PRIORITIES

Strategic priority 3: Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment
Strategic priority 4: Make better use of data, intelligence and research evidence to drive improvement and engagement.

COMMENTS

The work to develop a stakeholder matrix is ongoing and will be delivered in Q4; all communications project plans now use a stakeholder matrix and prioritisation to provide focus to activities; Head of Policy is developing a paper on data (collection and use) and research for consideration by SMT and Council in December; Chief Executive and ED for Regulation working closely with DHSC and other regulators on regulatory reform proposals

STRATEGIC RISK	RISK OWNER	Last Reviewed
3. Failure to be a trusted regulator and meet stakeholder expectations	SMT	Oct-18

RISK DETAIL	Inherent Impact	Inherent Likelihood	Inherent Risk	EXISTING CONTROLS / MITIGATIONS	Residual Impact	Residual Likelihood	Residual Risk	Planned actions 2018-19	Expected risk
This risk includes the management of stakeholder engagement and key relationships as well as reputation management. Specifically, Communication and stakeholder management Intelligence gathering Transparency/openness Stakeholder research PSA relationship and engagement External reporting Data breaches High quality Partners and suppliers Reputation	5	3	15	1) Communications Strategy, underpinned by stakeholder communications and engagement plan with clear deliverables and milestones 2) Adherence to agreed processes and organisational values of transparency, collaboration, responsiveness, high quality service and value for money 3) Regular stakeholder opinion polling to understand needs and expectations 4) Management and response to complaints handling, including Freedom of Infomration and Subect Access Requests 5) Engagement with appropriate organisations including for example other regulators, Government, professional bodies, trade unions and service user organsiations 6) Analysis and action planning from feedback mechanisms including corporate complaints, FtP stakeholder surveys, stakeholder opinion polling and education provider survey	4	2	8	1) Development and implementation of an action plan from the stakeholder polling 2) Implementation of the new stakeholder engagement plan 3) Further development and application of an organisational and project stakeholder matrix 4) Development of personal engagement plans for senior managers 5) Initial planning of prevention agenda through delivery of 5 year plan investment model	5

RELEVANT STRATEGIC PRIORITIES

Strategic priority 2: ensure our communications and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders
Strategic priority 3: Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment

COMMENTS

Stakeholder polling field work completed and due to report to SMT and Council in early 2019; the stakeholder engagement plan will be refreshed based on the perceptions work and presented to Council in the new year; personal engagement plans work will be taken forward in Q4; a date for the engagement forum in Edinburgh has been set and a list of possible attendees being developed, invitations anticipated to be issued in mid November.

STRATEGIC RISK	RISK OWNER	Last Reviewed
4. Failure to be an efficient regulator	SMT	Oct-18

RISK DETAIL	Inherent Impact	Inherent Likelihood	Inherent Risk	EXISTING CONTROLS / MITIGATIONS	Residual Impact	Residual Likelihood	Residual Risk	Planned actions 2018-19	Expected risk
This risk includes the operational failure of processes, or the inability to manage data efficiently as well as the vulnerability of IT security. It also includes financial security, timely and accurate reporting and the recruitment, retention and training of Partners, Council and employees. Specifically, Operational failure Data management Cyber security Use of technology Financial sustainability Timely and accurate reporting Recruitment/retention/training including partners, employees, Council	5	5	25	1) Adherence to operational processes and policies which are subject to internal and external audit eg ISO 2) Adherence to budgetting and financial management and reporting processes which are subject to internal and external audit eg NAO 3) Adherence to HR processes in relation to recruitment, annual performance development review and and learning and development for Partners and employees 4) Effective IT system design maintaining confidentiality, integrity and availability of data 5) Maintenance of ISO27001 Information Security standard which is subject to external audit 6) Regular independent security assessments of key IT infrastructure 7) Continuous quality improvement mechanisms through ISO and quality assurance processes 8) Development and implementation of a corporate	4	2	8	1) Increased capacity in Project delivery team effecting change 2) Development and delivery of action plan arising from all employee survey 3) Relevant and planned upgrades to systems eg secure destop 4) Delivery of registration transformation project deliverable 5) Secure fees increase and delivery of 5 year investment model 6) Development of Quality Assurance function	5

RELEVANT STRATEGIC PRIORITIES

Strategic priority 3: Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment

COMMENTS

The project delivery team is now at full complement increasing from two project managers to six project managers; the Registration CPD online system went live in July; the second phase of the Registration project was given authority to proceed by Council in September; HCPC workstations are currently being upgraded to the latest version of Windows following security assessments; the Quality Assurance Department is now up and running with framework agreements in place with the regulatory departments; and the fees consultation is open with in excess of 1000 responses to date.

STRATEGIC RISK	RISK OWNER		Last Reviewed
5. Failure of leadership, governance or culture	Chair and SMT		Oct-18

RISK DETAIL	Inherent Impact	Inherent Likelihood	Inherent Risk	EXISTING CONTROLS / MITIGATIONS	Residual Impact	Residual Likelihood	Residual Risk	Planned actions 2018-19	Expected risk
This risk includes the effectiveness of Council, strategy setting and oversight, risk management and business planning. It also covers organisational culture including the existence of relevant policies for whistleblowing or anti-bribery for example and processes for performance development. Effectiveness of Council Organisational structure Appraisal process/performance management Adequate planning Foresight Audit Ethics Anti-bribery Whistleblowing Strategic setting and oversight Risk management Vision mission values	4	3	12	1) Robust and effective Council recruitment processes with appointment against competencies and annual appraisal process 2) Well researched and drafted Council & Committee papers with clear, well reasoned decision making 3) Training and internal communications to ensure Partners, Council and employees aware of and sensitive to issues including whistleblowing, anti-bribery, equality and diversity 4) SMT oversight of HR and internal communications work to support the development of our culture and environment as well as delivering continuous improvement through all employee survey 5) Robust audit plans, regular review of risks 6) Strategic intent incorporating drivers, vision and values 7) Adherence to relevant internal policies including for example anti-bribery, whistleblowing and continued engagement with cross-organisational groups including the Employee Consultation Group and Corporate Social Responsibility 8) SMT: meetings held regularly, with well drafted papers and clear decision making communicated; visibility and transparency achieved with meeting papers online and regular round-up on intranet	5	2	10	1) Run appointments process for Chair of Council 2) Implementation of organisation-wide ED&I policy 3) Development and delivery of action plan arising from all employee survey 4) Develop new corporate strategy and engagement with employees on vision and values with dissemination to key stakeholders of final plan	4

RELEVANT STRATEGIC PRIORITIES

Strategic priority 3: Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment
Strategic priority 4: Make better use of data, intelligence and research evidence to drive improvement and engagement.

COMMENTS

The recruitment process to appoint a new Chair has commenced, interviews scheduled to take place in December 2019; SMT considered and approved the ED&I policy and plan in October 2018; an action plan arising from the all employee survey is being developed and will be considered at an upcoming SMT; the process to develop a refreshed corporate strategy commenced in October; and employee workshops are being planned following the Council strategy day to further explore values and culture drawing on the employee survey.

RISK MATRIX DEFINITIONS

IMPACT TYPES

Public Protection	Financial	Reputation
Catastrophic 5	**Catastrophic 5**	**Catastrophic 5**
A systematic failure for which HCPC are ultimately responsible for, exposes the public to serious harm in cases where mitigation was expected.	Unfunded pressures greater than £1 million	Incompetence/ maladministration or other event that will destroy public trust or a key relationship
Significant 4	**Significant 4**	**Significant 4**
A systematic failure for which HCPC are ultimately responsible for, exposes more than 10 people to harm in cases where mitigation was expected.	Unfunded pressures £250k - £1 million	Incompetence/ maladministration that will undermine public trust or a key relationship for a sustained period or at a critical moment.
Moderate 3	**Moderate 3**	**Moderate 3**
A systemic failure for which HCPC are ultimately responsible for exposes more than 2 people to harm in cases when mitigation was expected.	Unfunded pressures £50,000 - £250,000	Incompetence/ maladministration that will undermine public trust or a key relationship for a short period. Example Policy U-turn
Minor 2	**Minor 2**	**Minor 2**
A systemic failure which results in inadequate protection for individuals/individual communities, including failure to resolve celebrity cases.	Unfunded pressures between £20,000-£50,000	Event that will lead to widespread public criticism.
Insignificant 1	**Insignificant 1**	**Insignificant 1**
A systemic failure for which fails to address an operational requirement	Unfunded pressures over £10,000	Event that will lead to public criticism by external stakeholders as anticipated.

IMPACT

LIKELIHOOD AREAS

Strategic	Programme / Project	Operational
Probable 5	**Probable 5**	**Probable 5**
"Clear and present danger", represented by this risk - will probably impact on this initiative - sooner rather than later.	Likely to occur in the life-cycle of the project, probably early on and perhaps more than once.	The threat is likely to happen almost every day.
Possible 4	**Possible 4**	**Possible 4**
Likely to happen at some point during the next one or two years.	Likely to happen in the life-cycle of the programme or project.	May well happen on a weekly basis.
Unlikely 3	**Unlikely 3**	**Unlikely 3**
May well occur during the lifetime of the strategy.	May occur during the life of the programme or project.	May well happen on a monthly basis.
Rare 2	**Rare 2**	**Rare 2**
Only small chance of occurring in the lifetime of the strategy.	Not likely to occur during the lifecycle of the programme of project.	Does not happen often - once every six months.
Negligible1	**Negligible1**	**Negligible1**
Extremely infrequent – unlikely to happen in a strategic environment or occur during a project or programmes lifecycle. May occur once a year or so in an operational environment.	Extremely infrequent – unlikely to happen in a strategic environment or occur during a project or programmes lifecycle. May occur once a year or so in an operational environment.	Extremely infrequent – unlikely to happen in a strategic environment or occur during a project or programmes lifecycle. May occur once a year or so in an operational environment.

LIKELIHOOD