

FINANCE REPORT - Report by Chief Executive

Summary

The purpose of this report is to update the Directors on the financial performance of High Life Highland for quarter two 2025/26 and other relevant matters.

It is recommended that the Directors note:

- i. the draft year end outturn for 2025/26 as detailed in **Appendices A-C** reports a projected deficit of £248k;
- ii. no breaches of internal controls;
- iii. no reportable data breaches have been reported in the past quarter;
- iv. the award of contract at paragraph 6.1; and
- v. consider and approved the updated risk management documentation at **Appendix E**.

1. Strategic Contribution

- 1.1 High Life Highland's (HLH) purpose is **Making Life Better**. The HLH Strategy for 2025-2030, contains five strategic objectives which support the delivery of this purpose, and this report supports all of the outcomes in the strategy.

1. **Delivery of affordable, accessible, and inclusive services across the region.**
2. **Maximise and grow our income to re-invest across our services.**
3. **Ensure a consistent high value of delivery across HLH services.**
4. **Commit to the net zero and sustainability agenda.**
5. **Efficient and effective service delivery through our people and processes.**

2. Background

- 2.1 The Board receives regular reports detailing the financial performance of the charity and its trading company.

3. Financial Performance for Quarter 2 2025/26

- 3.1 The results for the period to September 2025 have been prepared. HLH's consolidated financial performance for the period is summarised in **Appendix A**. The results for the period are further split by the 9 business categories in **Appendix B** and by cost category (income, staff costs and other costs) at **Appendix C**. Commentary on the performance of each service is provided in **Appendix D**.
- 3.2 The draft outturn for the year to 31 March 2026 is a projected deficit of £248k with a negative variance to budget of £366k for income, £48k for Other Costs and positive variance of £166k in Staffing.
- 3.3 *highlife* leisure membership income is projected to be £247k below its £9.018m target, accounting for the majority of the forecasted income shortfall. Subscription numbers

are anticipated to remain largely constant for the remainder of the year. The projected deficit of £30k in Community Venues & Engagement is due to the delay in completion of Bught Pavilion and Northern Meeting Park.

- 3.4 Staffing is forecast to be 0.6% under budget due to savings in Health and Wellbeing, Business Support, ICT and Human resources whilst other costs are projected to be 0.8% over budget.
- 3.5 Management are working to achieve further efficiencies whilst increasing income and are confident of achieving a break-even position by the year end.

4. Internal Controls

- 4.1 There have been no breaches of internal control reported in the last quarter.

5. Data Breaches

- 5.1 There have been no reportable data breaches reported in the last quarter.

6. Tender award

- 6.1 The following contract has been awarded:

Scotguard Ltd	Security at Inverness Castle Experience	Oct 25-Sep 28
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7. Policy Review

- 7.1 An action from the full risk management audit undertaken earlier this year was to review the organisation risk documentation. Following review by Finance and Audit Committee at their 10 November meeting, Directors are now asked to consider and review the updated documentation at **Appendix E**.

8. Implications

- 8.1 Risk Implications – there are no new risk implications associated with the recommendations of this report.
 - 8.2 Impact Assessment - All policies, strategies, or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken. This is a monitoring report and an impact assessment is, therefore, not required.
 - 8.3 Legal Implications – there are no new legal implications associated with the recommendations of this report.
 - 8.4 Resource Implications – there are no new resource implications associated with the recommendations of this report.
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Recommendation

It is recommended that the Finance and Audit Committee note:

- i. the draft year end outturn for 2025/26 as detailed in **Appendices A-C** reports a projected deficit of £248k;
- ii. no breaches of internal controls; an
- iii. no reportable data breaches have been reported in the past quarter;
- iv. the award of contract at paragraph 6.1; and
- v. consider and approved the updated risk management documentation at **Appendix E**.

Designation: Chief Executive

Date 27 November 2025

Author: Neil Johnston, Head of Finance

Consolidated 2025/26: April to September**APPENDIX A**

	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)
Income	35,172,574	21,228,523	34,806,272	(366,302)
Staff Costs	(29,374,560)	(14,660,944)	(29,208,423)	166,137
Other Costs	(5,798,014)	(3,265,775)	(5,845,772)	(47,758)
Surplus/(Deficit)	0	3,301,804	(247,923)	(247,923)

Variance by Sector

APPENDIX B

	Budget	Actuals YTD	Forecast (Year end)	Variance (Year End)
Archives	(788,786)	(353,228)	(788,506)	280
Community Venues and Engagement	(773,466)	(461,264)	(803,199)	(29,733)
Leisure	(3,052,750)	(1,885,296)	(3,472,725)	(419,975)
Libraries	(3,971,787)	(1,986,478)	(3,967,745)	4,042
Management	(3,151,404)	(1,369,940)	(3,028,378)	123,026
Museums & Galleries	(1,293,132)	(386,555)	(1,240,848)	52,284
Music Tuition	(3,130,713)	(1,916,822)	(3,125,443)	5,270
Rangers	(537,797)	(227,040)	(520,449)	17,348
Sports	(963,908)	(467,057)	(964,373)	(465)
Service Fee	16,769,743	12,355,484	16,769,743	0
HC Financial Support	894,000	0	894,000	0
Surplus/(Deficit)	0	3,301,804	(247,923)	(247,923)

Variance by Category

APPENDIX C

	Income (£)				Staff Costs (£)				Other Costs (£)			
	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)	Budget	Actual (YTD)	Forecast (Year end)	Variance (Year End)
Archives	294,206	189,239	293,706	(500)	(1,040,270)	(516,708)	(1,039,513)	757	(42,722)	(25,759)	(42,699)	23
Community Venues and Engagement	647,371	294,074	607,190	(40,181)	(1,236,805)	(632,693)	(1,225,622)	11,183	(184,032)	(122,645)	(184,767)	(735)
Leisure	13,463,145	6,814,839	13,176,273	(286,872)	(13,629,019)	(6,906,773)	(13,702,753)	(73,734)	(2,886,876)	(1,793,362)	(2,946,245)	(59,369)
Libraries	56,628	29,587	49,645	(6,983)	(3,478,868)	(1,697,591)	(3,451,533)	27,335	(549,547)	(318,474)	(565,857)	(16,310)
Management	164,201	57,831	137,912	(26,289)	(2,440,374)	(1,151,741)	(2,289,539)	150,835	(875,231)	(276,030)	(876,751)	(1,520)
Museums & Galleries	981,746	741,529	964,993	(16,753)	(1,640,785)	(808,942)	(1,611,419)	29,366	(634,093)	(319,142)	(594,422)	39,671
Music Tuition	593,801	49,621	619,769	25,968	(3,264,885)	(1,614,077)	(3,267,252)	(2,367)	(459,629)	(352,366)	(477,960)	(18,331)
Rangers	115,500	72,094	99,269	(16,231)	(606,084)	(285,965)	(575,643)	30,441	(47,213)	(13,169)	(44,075)	3,138
Sports	1,192,233	624,225	1,193,772	1,539	(2,037,470)	(1,046,454)	(2,045,149)	(7,679)	(118,671)	(44,828)	(112,996)	5,675
Service Fee	16,769,743	12,355,484	16,769,743	0	0	0	0	0				0
HC Financial Support	894,000	0	894,000	0	0	0	0	0				0
Surplus/ (Deficit)	35,172,574	21,228,523	34,806,272	(366,302)	(29,374,560)	(14,660,944)	(29,208,423)	166,137	(5,798,014)	(3,265,775)	(5,845,772)	(47,758)

Commentary by Service

APPENDIX D

	Variance (Year End)	Notes
Archives	280	On budget
Community Venues and Engagement	(29,733)	Negative projected variance to budget due to loss of income due to delay in completion of the Bught Pavilion and Northern Meeting Park, partly offset by savings in staff costs .
Leisure	(419,975)	<i>highlife</i> membership income forecast to be £247k under budget with subscription numbers anticipated to remain largely constant for the remainder of the year. Staffing and other costs are forecast be 0.5% and 2% over budget respectively.
Libraries	4,042	Largely on budget, small positive variance.
Management	123,026	Savings in staff costs due to vacancies in Health and Wellbeing, Business Support, ICT and Human resources and other costs including VAT Not Reclaimable (in line with previous year cost)
Museums & Galleries	52,284	Lower than projected donations at Highland Folk Museum and income at North Coast Visitor Centre Café offset by savings in staffing and operational costs.
Music Tuition	5,270	Small positive variance projected, additional income from Highland Young Musicians offset by increased costs.
Rangers	17,348	Positive projected variance to budget due to vacancy management savings, partly offset by lower than predicted bunkhouse income.
Sports	(465)	On budget
Service Fee	0	On budget
HC Financial Support	0	On budget
Surplus/(Deficit)	(247,923)	

TITLE	RISK MANAGEMENT POLICY STATEMENT
CATEGORY	Policy
REFERENCE	FIN10-P01
VERSION	7
DATE	Dec 2025
REVIEW DATE	Dec 2027

High Life Highland (HLH) recognises the potential for harm to the organisation and its staff and users of such a large and diverse organisation. HLH will seek to reduce the risk of harm and loss.

In order to minimise the likelihood and consequences of harm and loss, the Board of HLH shall establish risk management processes to anticipate and control exposure to risk.

A systematic methodology for managing risk will be established through:-

- i. maintain a corporate risk register
- ii. the Board of HLH review the risk register annually, and also have sight of all the Finance and Audit Committee meeting minutes, including the risk register;
- iii. the Finance and Audit Committee will review the corporate risk register at their quarterly meetings;
- iv. the Senior Management Team will review the corporate risk register at their performance board monthly meetings, along with the extended management team meetings;
- v. the HLH Executive Team will review issues and projects for inclusion in the corporate risk register at their meetings as a standard agenda item; and
- vi. the Heads of service will review the corporate risk register and their service specific risk registers, at their operational meetings as a standard agenda item

The risk register will be based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks.

Version history:

Version	Status*	Date	Notes
1	Created	27 Feb 2014	Start date
2	Reviewed	16 Jun 2016	
3	Reviewed	11 Dec 2018	
4	Reviewed	10 Dec 2020	
5	Updated	17 Aug 2022	
6	Reviewed	28 Oct 2024	Review -Dec 26 HLH Board
7	Updated & Reviewed post Audit	Dec 25	Review Dec 27 HLH Board
8			

Updated = previous version retained with amendments/additions

Reviewed = existing version considered to need no amendments/additions

Archived = No longer required

TITLE	Risk Management Guidance - including business cases and project planning
CATEGORY	Guidance and Procedure
REFERENCE	FIN10 - G01
VERSION	11 – Post HC Internal Audit
DATE	December 2025
REVIEW DATE	December 2027

High Life Highland (HLH) has a policy and guidance strategy to reduce harm and loss through risk management. This guidance supports the HLH Policy document and details how these are implemented. The process by which the risk management strategy will be deployed is outlined in this document by setting out our approach to managing our risks and uncertainties.

Objectives

Our strategy for risk management is to embed a culture where risk management supports the delivery of services. By implementing the risk management process we will achieve a number of objectives, including:

- Help achieve the Charity's strategic objectives in a safe and compliant way
- Help the early identification and understanding of risks
- help staff focus on the most significant risks
- help informed decisions to be taken, based on a fuller understanding of any risks associated with the decision
- increase our resilience and operational capabilities
- allow risks to be managed and escalated as necessary and at the appropriate level
- ensure risks are taken within an accepted and agreed risk tolerance level

Risk Management Definition

Our definition of risk management is:

"Risk analysis and management help identify and handle risks early, reducing problems and increasing chances of achieving High Life Highland's goals."

It is expected that insignificant risks will not be reported. These may be risks that are managed well, thoroughly understood and are very unlikely to occur, or whose consequences would be relatively insignificant. Accordingly, they should be managed through our current day-to-day business practices.

It should be noted that risks may have positive as well as negative consequences; if HLH does not take calculated risks we will not innovate or try to improve how we do things. We must take risks in order to deliver our strategic objectives.

Risk Management Structure

The risk management process will be used at various levels and in different contexts,

Figure 1. The risk registers should relate to the strategic objectives. For example, the corporate risk register will consider risks to delivery of strategic priorities, or which have the potential to impact multiple Services; operational risk registers will consider risks to the 9 operational services. Service delivery risks are ones such as H&S risk assessments, contract or project risks or Chartered Institute for the management of Sport and Physical Activity – CIMSPA risks

Risks should be able to flow between levels, to allow risks to be managed at the most appropriate level or to communicate with stakeholders about the risk.

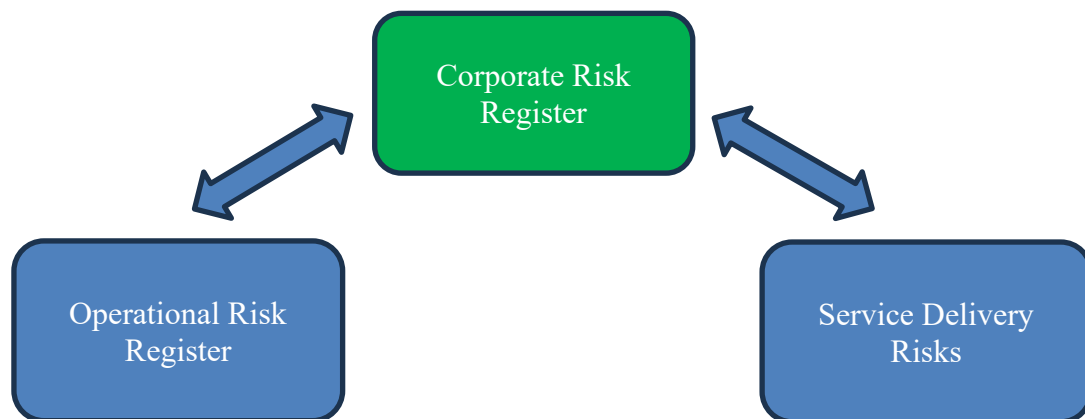


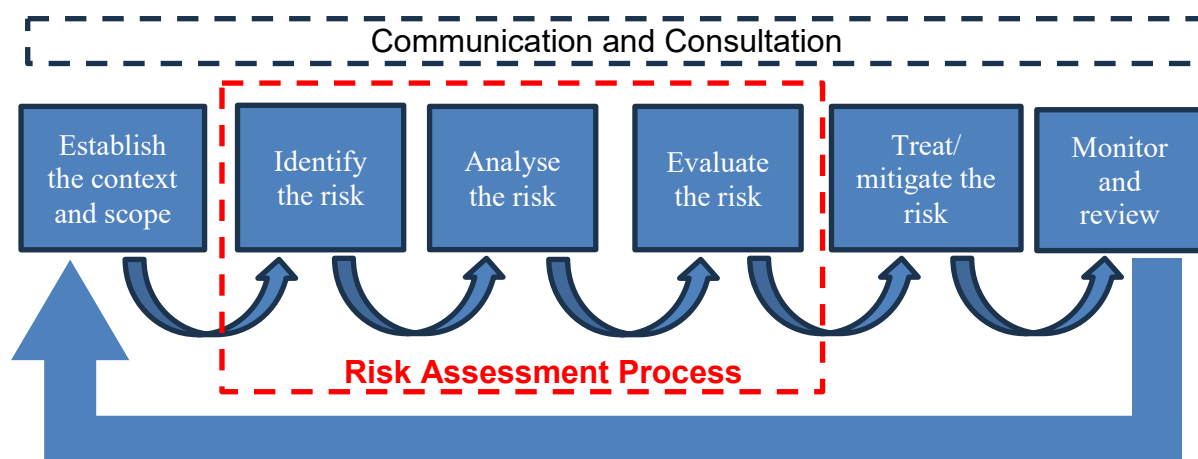
Figure 1

Risk management Process

The risk management process has seven elements, Figure 2. Underpinning each stage of the process is communication and consultation with interested parties. The aim of this is to ensure internal and external stakeholders (as appropriate) are considered and involved in our objectives to understand and define the risks.

Figure 2 – Risk Management Process

Further detail of the process and its use is contained within the Risk Management Process Guidance Document.



Corporate Risk Management

The Head of Investment and Programme Management has the responsibility for the administrative coordination and control of the corporate risk register. However, to ensure an integrated approach to risk management, risks are reviewed as follows:

1. maintain a corporate risk register
2. the Board of HLH review the risk register annually, and also have sight of all the Finance and Audit Committee meeting minutes, including the risk register;
3. the Finance and Audit Committee will review the corporate risk register at their quarterly meetings;
4. the Senior Management Team will review the corporate risk register at their performance board monthly meetings, along with the extended management team meetings;
5. the HLH Executive Team will review issues and projects for inclusion in the corporate risk register at their meetings as a standard agenda item and;
6. the Heads of service will review the corporate risk register and their service specific risk registers, at their operational meetings as a standard agenda item

This approach should establish a healthy risk culture within HLH, build organisational capacity to effectively manage risk, disseminate best practice in all related areas, support training and ensure the co-ordination and efficient consideration of the three risk management activities (corporate risk, operational risks, and service delivery/other risks).

Roles and Responsibilities

Risk management is the responsibility of everyone. However, there are several specific roles and responsibilities which are outlined at **Appendix 1**

Training

An electronic Highland Council training course is available to all HLH staff on the [traineasy link](#) entitled "Risk Management" as part of the "Performance and Risk Management Section" training section. This training helps support staff to manage risk. **All heads of service and above must complete this training.** Other staff may be required to undertake specific risk management training as necessary for their role. This will be identified within their TORs.

Health and Safety Risk Management

This risk management policy and guidance sit alongside our responsibility for health and safety risk assessments, as required by The Health and Safety at Work, Etc. Act 1974 and all subsequent regulations. This includes a requirement to have competent persons undertaking risk assessments and where necessary, involving Trade Union Health and Safety and specialist external representatives, within the assessment process.

Review of guidance

This guidance will be reviewed every 2 years. The result of this review will be presented initially to the Finance and Audit Committee before being considered by the HLH Board.

Separate risk registers will be maintained for both the Corporate and Operational risks, with the following information:

Risk Number	Each risk will be allocated its own unique number.
Risk Description/ Short Name	What is the thing that may happen?
Risk category	Selected from the drop-down menu these categories include such things as Poor Policy Design, Poor Delivery, Litigation & Legislation, Delivery Partner Risk, Poor Governance Health & Safety - Personnel and Public safety Environment, Compliance, Training, Reputational Risk etc.
Strategic Objectives impacted by the risk	Choose from the list of the 5 strategic objectives, all 5 can be chosen if appropriate: <ol style="list-style-type: none"> 1. Delivery of affordable, accessible, and inclusive services across the region. 2. Maximise and grow our income to re-invest across our services. 3. Ensure a consistent high value of delivery across HLH services. 4. Commit to the net zero and sustainability agenda. 5. Efficient and effective service delivery through our people and processes.
Trigger	What might cause it to happen?
Consequences	What would happen if it did occur?
Pre and post mitigation risk ratings	Each risk is scored pre and post mitigation on a scale of the likelihood of it happening, 1 (A)= Very High, 2 (B) = High, 3 (C) = Significant, 4 (D) = Low and 5 (E) = Very Low. On the impact , if it were to happen, 1 = Critical, 2 = Major Impact, 3 = Minor Impact and 4 = Marginal Impact. (For example, a risk might be scored 2(B):2 which would be a high chance of it happening and have a major impact if it did, or 4(D):1, low chance of it happening with a critical impact).
Mitigations in place	Details of the measures taken to reduce or eliminate the risk
Risk score – Above/below the line	The scoring matrix has a line above which risks require a risk management plan. This RMP will address how to manage and mitigate the risk, whilst risks “below the line” are those to be aware of. All risks which score 6 or below, will automatically fall above the line and require a RMP and be rated as ‘red’. All risks which score between 7 and 9, will automatically be rated as ‘amber’. All risks which score 10 or above, will automatically be rated as ‘green’.
Progress Status R/A/G	The risk register automatically rates the risk red, amber or green depending on the above scoring i.e. is it fully in place, partially or does the risk remain largely unaddressed.
Owner	Who is ultimately responsible for addressing the risk, e.g. HLH Board, Execs/SMT etc?
Lead / Nominated risk owners	Nominated person to be in charge of managing the risk

How do items get onto the Risk Register?

Risks can be added to the register at any time, however, the process generally followed is:

- issues are discussed as a standing agenda item at the Weekly Business meeting (WBM) and decisions taken whether to add them to the risk register;
- when business cases or projects are initiated, then these can be added to the risk register if necessary;
- items are also added through decisions at monthly performance meetings and the quarterly extended management team meetings, as a standing agenda item; and
- items can be added by the Board the Finance and Audit Committee or the HSECC.
- Risks can flow from the operational register to the corporate register as necessary and vice versa

Risk Appetite Statement

Introduction

Effective risk management is a necessity for sustained success. Organisations need a strategic approach to understanding and managing the risks they face. One essential component of this strategy is the development of a Risk Appetite Statement (RAS).

What is a RAS?

Your risk appetite is the level of risk you are willing to accept or tolerate in pursuit of your business objectives

Risk Appetite	Description
Opposed	Avoidance of risk and uncertainty is the key objective
Minimalist	Preference for safe options that have a low degree of inherent risk
Cautious	Preference for safe options that a low degree of residual risk
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery
Entrepreneurial	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty

Purpose and benefits of a risk appetite table:

- **Aligns risk-taking with the Charity's strategy:** Ensures that the Charity's risk-taking aligns with its overall strategic objectives.
- **Guides decision-making:** Provides a clear framework for evaluating risks and making informed decisions across the organization.
- **Fosters a shared understanding of risk:** Improves communication and collaboration by establishing a common language for discussing risk across different departments.
- **Optimises resource allocation:** Helps prioritize risks and allocate resources effectively for risk mitigation.
- **Enhances compliance and accountability:** Supports meeting regulatory requirements, industry standards, and demonstrating accountability to stakeholders.
- **Supports informed planning:** Allows the Board ensure consistency with the Charity's risk appetite.

The table should be used to benchmark risk management reviews and mitigation activities. By comparing the actual risk exposure (or residual risks after mitigation) with the established risk appetite for a given area, the charity can determine if the risk level is acceptable or if further action is needed. This could involve implementing additional controls, accepting the risk as tolerable, or even considering terminating the activity if the risk exceeds the acceptable level.

Our risk appetite has been defined following consideration of organisational risks, issues and consequences. Appetite levels will vary, in some areas our risk tolerance might be cautious in others, we might be open/hungry for risk and are willing to carry risk in the pursuit of important

objectives. Where activities are projected to exceed our defined levels, this would be highlighted through appropriate governance mechanisms and risk assessment/management plan. The full detail can be found at **Table 1**

- **Environmental Risks:** We have adopted a minimalist approach to any risks with regards to the environment, accepting that some of our activities do have a low inherent risk. The Health and Safety and Environmental Compliance Committee (HSECC) and the Board, will receive ongoing assurance through the quarterly meetings and updates.
- **H&S Risks:** We have adopted a minimalist approach to any risks with regards to H&S, accepting that some of our activities do have a low inherent risk. The HSECC and the Board, will receive ongoing assurance through the quarterly meetings and updates.
- **Legal/Regulatory/Governance and compliance risks:** We have adopted a cautious stance for these risks, seeking a preference for adhering to responsibilities, and safe delivery options with little residual risk. The Board will have annual assurance that compliance regimes are in place.
- **Financial risks:** We have adopted a cautious stance for financial risks with reference to core running costs, seeking safe delivery options with little residual risk that only yield some upside opportunities. The Board and the Finance and Audit Committee will receive ongoing assurance through the quarterly meetings and financial updates.
- **Reputational risks, inc geopolitical/Recruitment/HR and training:** We have adopted a minimalist stance for these risks, with a preference for safer delivery options, tolerating a cautious degree of residual risk and choosing the option most likely to result in successful delivery, thereby enhancing our reputation for delivering high quality, cost-effective services to our customers. The Board and the Finance and Audit Committee will receive ongoing assurance through the quarterly meetings and updates.
- **Information and Cyber risks:** We have adopted a cautious stance to these risks, to reflect the sensitivity of information. The Board and the Finance and Audit Committee will receive quarterly updates with regards to any risk for Major ICT, protocols and procedures, Data Protection, copyright or systems security breaches. The Board and the Finance and Audit Committee will receive ongoing assurance through the quarterly meetings and updates.
- **Operational/Delivery Partner and Business continuity risks:** We have adopted a cautious stance for these risks. The Board will receive ongoing assurance from annual testing of business continuity plans.

A RAS is a structured framework that articulates an organization's acceptable level of risk exposure across different domains, balancing growth opportunities with risk mitigation strategies.

The RAS should provide a clear boundary for risk-taking, serving as a guide for decision-making at all levels of the organization. It includes qualitative and quantitative considerations, to define acceptable risk levels, ensuring consistency and transparency in managing risk across various departments and functions.

As businesses grow, diversify, and face new challenges, a clear and well-communicated RAS becomes even more critical in ensuring cohesive and informed risk management.

HLH recognises that not all risks must be treated in the same way. Some risks may be acceptable in achieving our aims and strategic objectives, while some may have to be avoided altogether.

Risk appetite and tolerance concepts, historically, have not been actively used in the analysis of risks or when reporting risks. Risk appetite and risk tolerance are closely related concepts, but they serve different purposes for risk management.

Risk appetite is the amount and type of risk a business is willing to take on to achieve its goals. It reflects the Charity's strategic objectives and the level of risk it is prepared to accept in pursuit of growth, innovation, or market expansion.

Risk tolerance, on the other hand, is the specific amount of risk the charity can withstand before it needs to implement or increase its mitigation tactics. It is often defined in quantitative terms such as financial thresholds, performance metrics, or compliance limits. Risk tolerance is about the Charity's capacity to withstand negative outcomes without suffering unacceptable damage and acts as a boundary within the broader scope defined by the risk appetite.

To put it another way, risk appetite is like setting out on an ocean voyage and accepting the risk of navigating through a few storms to reach your destination. Risk tolerance is about knowing how severe a storm you can weather before that voyage becomes too dangerous. Which storms are light enough to sail through, on course and which do you need to navigate around to ensure the ship stays afloat.

Purpose of a RAS

A Risk Appetite Statement (RAS) serves as a guiding framework that helps organizations define the level and types of risk, they are willing to accept while striving to meet their objectives. It ensures that risk-taking aligns with business goals, regulatory requirements, and stakeholder expectations. By establishing clear boundaries for decision-making, a well-defined RAS helps organizations balance opportunities with risk mitigation strategies. Additionally, it fosters a risk-aware culture, enabling leadership teams to make informed choices, allocate resources effectively, and maintain operational resilience.

Key Components of a Risk Appetite Statement

1. **Risk Categories** – Organisations face several types of risks, such as financial, operational, strategic, compliance, reputational, and cybersecurity risks. The RAS should classify risks into relevant categories to ensure comprehensive coverage, as detailed at **table 1**.
2. **Risk Tolerance Levels** – This defines the acceptable limits of risk exposure for each category. Tolerance levels may vary depending on business objectives, regulatory requirements, and industry standards. Organizations may classify risk tolerance as low, moderate, or high, based on their ability and willingness to absorb potential losses.
3. **Measurement Metrics** – The RAS should include both qualitative and quantitative metrics to evaluate risk exposure effectively. As this is a new process, these will be established over the next 12 months, as we evaluate examples including financial ratios, e.g. debt-to-equity ratio, operational performance indicators, as set out within our key performance indicators against the strategic objectives and captured within the performance data base, and regulatory compliance benchmarks ensuring the minimum number of audit violations, and maintaining historical records for H&S incidents to follow and or predict trends.

4. **Governance Framework** – A clear governance structure is essential for implementing and monitoring risk appetite. This includes defining roles and responsibilities for risk management teams, establishing escalation procedures, and ensuring regular risk assessments and reporting.
5. **Monitoring and Reporting Mechanisms** – A strong RAS incorporates processes for continuous monitoring and periodic review of risk levels. This ensures that risk exposure remains within acceptable limits and allows organizations to adapt their risk appetite as business conditions evolve.
6. **Alignment with Business Strategy** – A well-defined RAS ensures that risk-taking aligns with the organisation's long-term strategic goals. It helps management make risk-informed decisions that support growth and sustainability while minimizing potential disruptions.

How to define your risk appetite in 8 steps

Determining our risk appetite is a strategic process that is essential for long-term sustainability.

Appendix 2 to FIN10 G01 is a worksheet that details the steps to take, along with questions to consider when creating and or reviewing a risk appetite statement.

Having completed this, the parameters of the RAS should assist teams when setting their own operational risk registers, to ensure that risks are evaluated and scored accordingly.

HLH Risk Appetite Statement 2025 - 2030 DRAFT

Considering all of the above, the HLH Board has established a risk appetite table below, which defines the Charity's stance on risk for different risk categories. This structured approach aims to ensure that the charity takes calculated risks to achieve its strategic objectives, while staying within its capacity to manage potential negative consequences.

The Board and its Committees, receive regular reports from key functions such as Health & Safety/ compliance, Finance and Audit, HR and trading activity, as part of this strategy, to help achieve the five strategic objectives for the business plan 2025-20.

Table 1 – Risk Categories, definition and appetite statements – To be reviewed annually

Category	Definition:	Appetite level
Financial	A risk that may have a detrimental effect on the Charity's income and expenditure	Cautious
Compliance/Regulatory	A risk that the Charity may contravene statute, regulatory or government/local policy	Cautious
Operations/Service Delivery	A risk that may impact the ability to deliver safe or sustainable services	Cautious
Reputational	A risk that may damage internal and external perception of the Charity	Minimalist
Environment	A risk that may cause damage to or is caused by the natural environment	Minimalist
Health & Safety - Personnel and Public safety	A risk that may cause harm or injury to personnel or public	Minimalist
Geopolitical, Environmental or Economic Shock	A risk of any threat of adverse events associated with wars, terrorism, and any tensions that affect the peaceful course of international relations	Minimalist
Poor Governance	A risk of an event or situation that can negatively impact the Charity due to inadequate or ineffective governance structures, processes, and practices	Cautious
Human resource - Capacity, Recruitment etc.	Any risks that are posed by employees to the Charity	Minimalist
Delivery Partner Risk	Any risk that can arise when a project or service is being delivered by an external partner	Cautious
External Stakeholder Management	A risk where a potential negative impact on a project or business could arise from the actions, decisions, or circumstances of stakeholders outside the organization	Cautious
Information Technology & Infrastructure inc cyber security and technical issues	A risk of hardware and software failure, human error, spam, viruses or malicious attacks	Cautious
Training	Any risk due to the Charity failing to teach individuals or teams to the necessary level, required to deliver services safely	Minimalist

Appendix 1 to FIN10 G01

Role	Responsibilities
HLH Board	<ul style="list-style-type: none"> Annually review the risk register Review the risk management policy and guidance documentation every 2 years To ensure risks have been appropriately considered by the Finance and Audit Committee as part of their quarterly review of the minutes To scrutinise and question officers on the risk information provided by them Encourage a culture that supports appropriate risk taking and the open discussion of risk
Finance and Audit Committee	<ul style="list-style-type: none"> To ensure risks have been appropriately considered as part of all reports To scrutinise and question officers on the risk information provided by them Encourage a culture that supports appropriate risk taking and the open discussion of risk
Executive Leadership Team	<ul style="list-style-type: none"> Promote and support risk management throughout the Charity Seek to ensure Corporate and Service risks are identified and managed within the associated risk appetites Review corporate risks monthly Ensure the corporate risks reflect any new or emerging external and internal risks Monitor progress in managing corporate risks, to ensure agreed actions are taken timeously Ensure HLH Board and Finance and Audit Committee Members are aware of the risks when taking decisions, through providing quality information Provide reports on the Corporate Risk Register to the Finance and Audit Committee on a quarterly basis. Consider risks escalated from a service, project or contract for inclusion within the Corporate Risk Register Ensure risks are considered as part of any significant projects, contracts or partnerships Encourage a culture of openness to allow risks to be identified and fully considered Encourage a culture of learning from risk events when they happen
Senior Management Team	<ul style="list-style-type: none"> Maintain and regularly review a Service Risk Register in line with the Risk Management Strategy, Ensure service risks are adequately communicated to other services if appropriate Ensure significant contracts, partnerships and projects, which the service relies upon, or is delivering, have appropriate risk management arrangements in place Encourage a culture of risk awareness through involving others in the risk management process as appropriate, and challenging risk information Escalate, if appropriate, risks for consideration and possible inclusion on the Corporate Risk Register via the channels mentioned above Encourage a culture of openness to allow risks to be identified and fully considered Encourage a culture of learning from risk events when they happen
Risk owners	<ul style="list-style-type: none"> Take the lead in monitoring own risks to ensure they are being managed in line with appetite set for that risk Co-ordinate any further action needed to treat the risk Review progress of the risk treatment actions Take the lead on communicating with interested internal stakeholders about the risk Ensure connections to Corporate, Operational and service delivery risks are adequately made
All staff	<ul style="list-style-type: none"> Maintain an awareness and knowledge of the risk management responsibilities appropriate to their role Notify line manager, or another appropriate manager, of any significant Service, Project, Contract or Partnership, risks they identify or become aware of in their role

Risk Appetite Worksheet

This worksheet walks you through the steps of defining and implementing a risk appetite for our Charity.

Step 1 – Clarify the strategic objectives

High Life Highland's (HLH) purpose is **Making Life Better**. The HLH Strategy for 2025-2030, contains five strategic objectives which support the delivery of this purpose, and this report supports all of the outcomes in the strategy.

1. **Delivery of affordable, accessible, and inclusive services across the region.**
2. **Maximise and grow our income to re-invest across our services.**
3. **Ensure a consistent high value of delivery across HLH services.**
4. **Commit to the net zero and sustainability agenda.**
5. **Efficient and effective service delivery through our people and processes.**

Questions to consider:

- What are our short- and long-term goals?
- How do we measure success for our business?
- What risks are we willing to take to achieve our goals?

Step 2 – Identify and categorise risks

List potential risks including financial, operational, strategic, compliance and reputational risks, then categorise them based on their potential likelihood and impact.

Questions to consider:

- What potential internal and external risks could impact our objectives?
- How can we categorise these risks (e.g. Operational, financial, strategic)?
- Which risks are most critical to our success or failure?

Step 3 – Assess risk capacity

Determine the maximum level of risk our charity can manage without threatening its viability. Consider financial stability, resource availability, and other safety nets

Questions to consider:

- What is the maximum level of risk we can absorb financially?
- How much operational disruption can we manage?
- What resources and controls do we have to manage and mitigate risks?

Step 4 – Evaluate risk tolerance

Decide what level of variability in outcomes is acceptable. Set thresholds for different risk categories beyond which action needs to be taken

Questions to consider:

- What level of variability in outcomes is acceptable?

- For each risk category, where do we draw the line between acceptable and unacceptable?
- How does our risk tolerance align with our strategic objectives and organisational culture?

Step 5 – Consult key stakeholders

Gather input from key stakeholders such as HLH Board Members, HLH Executive team and employees to understand their preferences and expectations around risk.

Questions to consider:

- What are the risk preferences of our key stakeholders? (e.g. Board members, employees, customers)
- How do their expectations influence our risk decisions
- Are there any conflicting views on risk-taking within the charity, and if so, how can we address them?

Step 6 – Define our risk appetite level

Based on the above, articulate the types and levels of risk our charity is willing to take. DRAFT a formal risk appetite statement to define and communicate our risk appetite.

Questions to consider:

- Based on our strategic objectives, and tolerance, what types and levels of risk are we willing to accept?
- How does our risk appetite support our strategic objectives
- How can we articulate our risk appetite clearly and concisely into an appetite statement?

Step 7 – Communicate and implement

Ensure that the risk appetite statement is communicated throughout the charity and incorporated into our risk assessment policy, procedures and guidance. Develop training and awareness programs to build a risk aware culture. Incorporate our defined risk appetite into business decisions, including strategic planning, security/counter terrorism awareness training, risk assessments, and project management methodology. Incorporate the defined risk appetite into business decisions, including strategic planning, operational training, regular risk assessments and project management methodologies

Questions to consider:

- How will we communicate our risk appetite across all teams and throughout the charity, including our volunteers?
- What changes need to be made to ensure decisions and operations align with our defined risk appetite?
- How can we incorporate risk appetite into our corporate culture and decision making processes?
- How can we ensure that every decision made considers our risk appetite?
- What processes or tools do we need to put in place to evaluate risks consistently?
- How can we monitor adherence to the risk appetite in day-to-day operations?

Step 8 – Monitor, test and adjust

Regularly monitor our business's risk profile and external factors that influence risk appetite to ensure alignment with the current business environment. Build processes to revisit and adjust the risk appetite as the business evolves and external conditions change

Questions to consider:

- How will we monitor our risk environment and the charity's response to it?
- What indicators will we use to assess whether we are operating within our defined risk appetite?
- How frequently should we review our risk appetite and its alignment with the strategic objectives?
- Who in the organisation will be responsible for reviewing and updating the risk appetite statement?
- When should we consider adjusting our risk appetite?
- What triggers or indicators should prompt a review of our risk appetite?
- How can we ensure our risk appetite remains relevant and supports the charity's agility?