



BOARD REPORTING AND PAPERS

Why write a Board paper?

Board papers are critical part of the governance process and are used to describe the business items for a board meeting.

Board papers are produced for three purposes:

1. **Information only.** Financial results would be an example of an 'information only' Board Paper.
2. **Discussion.** A discussion board paper is provided to introduce a point of discussion for the board, including sufficient facts to support the discussion.
3. **Decisions.** A decision paper is designed to ask the Board to make a decision.

This document focuses on decision papers, but some of the same principles can be applied to other types of board papers.

What should be included in a Board Paper

There are a number of ways to format and structure a Board paper and your organisation may already have a template. There are however, common elements that should be included in all papers:

1. **Board resolution.** The resolution you are asking the board to pass (this is the decision you would like them to make). Officially this is a draft only but should be written in a way that it can be accepted as it is by the Board. An example is: "The Board of (ABC Sports Organisation) resolves to approve the construction of a new sporting facility at (XYZ Place, New City) for the purposes of playing sport at an estimated cost of \$500,000."
2. **Executive summary.** The executive summary should specify the purpose of the Board paper - information only, discussion or seeking a decision and specify the recommendation. The executive summary should be no more than a single paragraph of 4 – 5 lines.
3. **Recommendation.** As the writer of a Board Paper, it is important you provide a very clear and concise recommendation to the Board. The recommendation should include:
 - The recommendation you are making to the Board, essentially that they pass the resolution (make the decision)
 - The reason why the Board should accept the recommendation
 - Summary of alternatives (where relevant), and therefore why the recommendation is the best option.

4. **Background.** The background section should provide enough information to enable a Board member to understand the resolution and to form an opinion on the correct outcome. Board members do not normally work in the organisation on a day-to-day basis and therefore, their knowledge of the detailed operation needs to be considered. The background should also indicate if there are previous Board Papers on similar subjects that Board members can refer back to (meeting date and agenda item number). If there is more background information than can fit within approximately one page, the information should be summarised in this section and provided as appendices to the Board paper.
5. **Issues and Risks.** Issues - are any general factors that will affect the proposal that the Board should be aware of in making their decision. For example, in deciding to build a new facility an issue may be that the local City Council has not approved the car parking area as planned. Risks - unlike issues, are factors that may occur and may have an impact on the intended outcome. Risks if they do occur may have a significant impact and therefore considerable thought should be put into identifying the possible risks and how best to manage these.
Consultation. The consultation section - should include details of who has been involved in developing the Board paper. This will include other people from within your organisation and may include external people used as advisers. The consultation section should provide the Board with assurance that all key stakeholders have been involved in the development of the Board paper.

Other elements that could be included, depending on the decision required are:

1. **Financial summary.** A financial summary is required if the decision will have any financial impact on the organisation. Ideally, your organisation will have a standard way to summarise financial information. The most common is a profit and loss statement. This is useful if the decision is likely to impact the income you receive or your expenses. For example, changing membership fees, taking part in a new competition, or securing a new sponsor. If the decision requires a significant capital investment, then it may be necessary to identify both profit and loss impact and the cash flow impact (the actual money you spend). There are a number of methods for identifying the cash flow impact based on considering the length of time until the money invested is returned to the organisation. These include cost benefit analysis, net present value and internal rate of return.
2. **Alternatives analysis.** A key aspect of decision making is considering alternatives or other options. Most decisions are not just a case of yes or no. A good alternatives analysis should demonstrate that there are different ways to achieve the same or similar outcome. For example, if the decision is to seek approval to build a new facility for the organisation, then the alternatives could include an option to lease or purchase an existing facility, instead of building.

Developing a Board Paper

When developing a Board paper it is important to recall the purpose of the Board. The Board's governance role with respect to decision making is to ensure that the decisions are supportive of the strategy of the organisation, adhere to the policies of the organisation and meet the needs of the members or shareholders of the organisation. The Board do not normally work in the organisation

on a day-to-day basis and therefore may not be aware of all the factors affecting a particular decision. As such it is important to:

1. Include managers and other key people in your organisation in the development of the Board paper. This will ensure you have identified the widest scope of the decision and can confidently present all the required information to the Board.
2. Consider informal discussions with some of the Board members while developing the Board paper. This will help to ensure you capture the information the Board will require and give those spoken to an opportunity before the Board meeting to consider their views. If the decision is going to be complex for the Board, discussions prior to the Board meeting can be invaluable.

Depending on the Board process, it may be necessary to provide a presentation to the Board as well as the written Board paper. If this is the case the Board paper needs to stand alone as a document with all the information necessary for the Board to make a decision. The presentation is only to provide an opportunity to present a summary of the information and respond to questions. You should not include any new factual information in the presentation, as some Board members may not be able to attend the presentation and the Board paper is an official document of record for the organisation.

When you have completed your Board Paper ask yourself the following questions:

1. Is this targeted at the right level for the audience?
2. Does it contain all the relevant information for the Board to make a decision?
3. Is it clear and concise?
4. Does it ask for a specific decision to be made?

Sample Board Paper

Below is a sample Board Paper that will assist you in structuring your own Board Papers. This can be adapted depending on your Board's requirements.

Use a template format for all Board reporting to ensure consistency and look.

Draft resolution

The Board of (ABC Sports Organisation) resolves to approve the construction of a new sporting facility at (XYZ Place, New City) for the purposes of playing (our sport) at an estimated cost of \$500,000.

Executive Summary

This paper seeks a decision from the Board to approve the construction of a new sporting facility at XYZ Place, New City. The cost of the new facility is estimated at \$500,000. The new facility will enable ABC Sports Organisation to increase the number of teams playing by approximately 200 per season and provide additional revenue from a cafeteria of \$20,000 per annum.

Recommendation

It is recommended that the Board approve this resolution. The construction of the new facility has been estimated to cost \$500,000 based on two quotes received from local building companies. The recommendation provides for:

- Additional court space to support an additional 200 teams during the regular season. This will improve participation from our community and provide \$56,000 in team registration fees.

- The addition of a cafeteria will increase the number of parents who will stay to watch their children play our sport, increase the desirability of the facility for social teams and provide an estimated \$5,000 profit per annum.
- There is an opportunity to provide off-season and other social competitions with the new indoor facility. We have not estimated what this is likely to be.

Therefore, the construction of the new facility will support three key strategic objectives:

1. Increasing player participation
2. Increasing involvement from the wider community in Our Sport
3. Investing the reserves in our sport to support long-term growth.

Other alternatives considered were leasing an existing facility or purchasing an existing facility. Leasing an existing facility did not support the objective to invest reserves as the main lease costs would be a year-by-year expense which would not provide any return. The available premises for purchase did not include an existing cafeteria facility and the cost to construct the addition of a new cafeteria to the existing building was greater than building a new facility. Without a cafeteria we do not meet our objective to increase involvement in Our Sport from the wider community.

Background

ABC Sports Organisation has reached the playing capacity of the existing facilities.

During the past 10 years the participation in Our Sport in the area has been increasing each year on average by 3%. This increase parallels the City Council information on general population growth within our catchment. The City Council has projected the population growth will likely increase at a similar or greater rate during the next 10 years.

As per our strategic plan, we have a number of initiatives in place to increase player participation to ensure that the growth of our sport in our area mirrors the population growth. These include the Netball in Schools programme that has increased the number of schools that have our sport on the curriculum by 20% and the Let's Get Active winter programme.

Our strategic plan also seeks to increase involvement from the wider community in our sport and to seek options for investing our reserves.

Over the past 12 months we have been considering a number of options for increasing the facilities we provide for playing our sport in the area. These options were provided to the Board on the following dates:

23 February 201x: Information only on the current facility capacity.

24 March 201x: Decision to develop options to increase current capacity.

20 October 201x: Discussion paper outlining the different options.

Following the Board discussion on 20 October 201x a resolution was passed to progress with pricing for building a new facility. At this time there were two sites being considered, XYZ Place and DEF Avenue. Due to rezoning by (xyz) City Council, DEF Avenue is not considered an option, therefore we proceeded with building estimates at XYZ Place.

Risks and Issues

We have identified the following risks:

Risk	Likelihood	Severity	Management Plan
Council may not approve resource consent	Low	Significant	Will seek a local architect familiar with development in the area and Our City Council procedures. A redesign will be required of the facility would be required potentially affecting the number of teams we can support.
Costs are estimate only. There is a risk that these may increase once we have firm quotes	Medium	Moderate	Quotes will be requested from 3 contractors. If the quote varies by more than 5% from the estimate, we will seek Board re-approval Contracts will be fixed price quotes to reduce the risk of price increases to Sport during the construction.

We have identified the following issues:

1. We have not secured a naming rights sponsor for the new facility. This sponsorship will support the ongoing costs of insurance, rates and maintenance of the facility.
2. There is an option to use the cafeteria as a bar serving alcohol. We believe this is a policy decision for the Board and will be presented in a future Board paper.

Consultation

The Facilities Manager has managed the process to date, including meeting with xyz City Council and local construction firms. He has been the main contributor to this paper.

The Administration Assistant and the Community Sport Manager have been heavily consulted.

Financial Summary

Capital investment (cash flow)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Total
Architecture and engineering	10,000	1,000	1,000	1,000	1,000	1,000	15,000
Construction		24,000		228,000		228,000	480,000
Council fees	5,000						5,000
TOTAL	15,000	25,000	1,000	229,000	1,000	229,000	500,000

Profit and loss impact

The following is an estimate of the year-on-year profit and loss impact

	Item	Cost	Total
Income	Team fees	56,000	
	Cafeteria	20,000	
			76,000
Expenses	Rates	2,500	
	Insurance	2,000	
	Maintenance	5,000	
	Cafeteria supplies	15,000	
	General expenses	2,500	
	Depreciation	25,000	52,000
Total			24,000

Alternatives Analysis

The following alternatives were considered:

1. **Lease an existing facility.** Leasing an existing facility was estimated at \$30,000 per annum. This is similar to the expenses for a construction option. Leasing would not have realised one of our strategic objectives which is to invest reserves for the long-term benefit of Our Sport. Leasing increases the risks of long-term cost management challenges if the leaser increases lease costs as you are generally locked in for no more than 5 years. The main benefit of the lease option was a much lower initial capital investment.
2. **Purchase an existing facility.** Purchasing an existing facility was a good option as it reduces the risks associated with a new construction. The only viable premise did not have a cafeteria and there was not an opportunity to construct one without comprising playing

space. This option would not have supported a strategic objective to increase involvement by the wider community.

3. **Construct a new facility.** The construction option has the closest fit to our strategic objectives. The only negatives identified for construction are the risks that the costs are higher than estimated.

A detailed list of pros and cons for each of the alternatives is available in Appendix A.

All the very best with your Board reporting 😊