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Governance Questionnaire Results

At a time when the challenges and complexities of leadership in the Third Sector continue to grow, good practice in governance has never been more important than it is now. Chief Officers and Board Trustees have a dual responsibility to manage their organisations effectively to realise their organisations vision and also a responsibility to act in a way that promotes and facilitates increased public trust.

In 2014, the media focused its attention on the issue of Third Sector Chief Executive pay. It raised a number of questions for Third Sector leaders specifically, on the relationships that the Third Sector has both with the media and with the general public. It also highlighted the importance of openness and transparency, core principals of strong corporate governance and necessities for establishing public trust. It also raised questions for CO3, specifically, relating to what support and services should be provided to support its members on the area of Corporate Governance.

CO3 prides itself on being membership led and membership driven. Therefore, a Corporate Governance Working Group was established in July 2014, to help to identify and support CO3 in its role of examining the issues and support requirements of its membership base. It was agreed to issue a survey to identify the specific support needs of CO3 members in this area. The survey was issued in early September 2014, with the deadline extended to November 2014, in order to achieve a higher response rate. The responses highlight the experiences and perceptions of respondents.

Response Rate/ Profile Breakdown

At the time of issuing the survey CO3 had a membership base of 320 members. A response rate of 25% was achieved.

CO3’s membership is broken down into three categories:

- Full Members (Third Sector Chief Officer)
- Associate Members (Third Sector Senior Managers) and
- Corporate Partners (Private Sector leaders).

The survey was issued to Full and Associate members only to illicit the views and opinions of Third Sector leaders. The majority of responses obtained were from Full Members, 81% of respondents indicated they were the Chief Officer, 19% stated they were an Associate Member (Senior Manager).
Organisation Structure, Staffing and Size
- Respondents have a Senior Management Team (SMT) consisting of two and typically between 9 and 12 Trustees.
- The diverse range of funding streams highlight the changing public funding environment and the moves towards a more market based approach. Respondents indicated that the largest proportion of their income was generated from trading activities (60%).
- Grants from charitable/philanthropic Trusts funding was cited as the second biggest source of income. Funding from Health and Social Care Board/Trusts, Local Councils and Government Departments also represented a significant proportion of respondents’ income source.
- Public donations (43%) also accounted for a substantial proportion of respondents’ income source.
- A high proportion of respondents (72%) indicated that they required the support of volunteers.

Length of Time in Post and Work Experience in other Sectors
- The length of time a Chief Officer has been in post may also be a determining factor in establishing effective working relations with the Board of Trustees and the staff team. The majority of respondents indicated that they have been in post between 1 and 5 years (34%). Interestingly, a large number of Chief Officers have been in post between 6 and 10 years. 20% of respondents have been in post 11 and 20 years.
- A significant proportion of respondents (75%) indicated that they had experience of working in a different sector.
- Although the majority of respondents indicated that they had worked in other sectors, a significant proportion indicated that they have gained between 16-20 years of their work experience within the Third Sector. 20% stated that they have accumulated 26+ years of working within the Third Sector.

Governance Responsibilities of Trustees
- The need for effective leadership is an important aspect of governance, 92% of respondents indicated that they agreed or strongly agreed that governance is concerned with leadership and strategic direction.
- The results show that, generally speaking, respondents are confident with their Board’s overall ability however, there is always room for improvement. 13% of respondents stated that they did not know if their Trustees recognised their role of taking overall responsibility for their organisation’s governance, with 3% stating that they felt that their Board did not take this responsibility seriously.
• Although, a large proportion of respondents stated that they were aware of the process utilised by the Board to set their pay (78%), 22% of respondents did not know.

Annual Reports – a tool for encouraging greater transparency
• 100% of respondents agreed that a Third Sector organisations income should be included within the Annual report.

• A large proportion (94%) of respondents felt that an Annual Report should contain key information relating to the total number of beneficiaries. The remaining 6% of respondents stated that they did not know if stats relating to beneficiaries should be shared within the Annual Report.

• The majority of respondents stated that the information relating to their fundraising activity charities, should be included within the Annual report. 13% of respondents did not know if information relating to fundraising was needed and 4% stated that stats relating to fundraising should not be contained within the Annual Report.

• Although a significant proportion of respondents, (82%) stated that information on salaries over £60,000 should be included within the Annual Report, 18% of respondents either disagreed or strongly disagreed that this was necessary.

• Similarly, when asked specifically about the Chief Executive’s salary package, although a large proportion of respondents felt this detail should be disclosed within the Annual Report, 25% stated that this detail should not be included.

Website a tool for encouraging greater transparency
• 73% of respondents felt that information relating to the organisation’s income should be disclosed on their website. 14% of respondents disagreed.

• 70% of respondents agreed that the proportion of an organisations income spent on fundraising should also be disclosed. Whilst 16% didn’t know and 14% either disagreed or strongly disagreed with this statement.

• A large proportion (78%) of respondents felt that the website should contain key information relating to the total number of beneficiaries. 13% of respondents did not know if this detail was required and 9% stated that information relating to beneficiaries should not be shared through this medium.

• Less than half, (41%) of respondents felt that information relating to salary income of staff earning more than £60,000 should be shared on their organisation’s website. 22% did not know and 37% disagreed that this detail should be shared via the website.

• 30% felt that the salary package details of Chief Executives’ salaries should be included. Whilst 45% of respondents felt that information relating to the salary package should not be included on the website. 25% were undecided on this point.

Public Perceptions and transparency within the Third Sector
• The media attention on CEO pay in 2014 revealed a clear disconnect between what is involved in leading a modern day Third Sector organisation. This realisation is captured in
respondents responses, with 64% agreeing with the statement ‘There is a lack of understanding amongst the general public on what a modern day charity does’.

- The majority of respondents agreed that Charities have to get better at explaining how income is spent, 81% of respondents agreed with this statement.
- 19% of respondents disagreed with the statement that there is a disconnect between public, politician and donors and the Third Sector.
- A significant proportion of respondents agreed that there is a lack of understanding amongst the general public on a modern day charity, with 91% either agreeing or strongly agreeing with this point.

Chief Executive Pay in the Third Sector
- 18% of respondents stated that they were approached by the media to disclose their salary. 79% of those approached shared their salary details, whilst 21% did not.
- 82% of respondents were not approached by the media, but when asked if approached how many would disclose their salary details, 49% stated that they would share their salary details. 35% stated that they would not and 16% of respondents were undecided.
- 22% of respondents were not aware of the process used to determine their pay.
- Although a relatively low proportion of respondents were approached by the media, we felt it was important to gauge how confident they would be responding to questions relating to charity income, including details relating to pay. 38% of respondents stated that they were either extremely or very confident. 28% are confident and 25% somewhat confident. Only 9% indicated that they were not confident responding to such enquires.

General Views on Corporate Governance
The questionnaire was also an opportunity to gauge the temperature of CO3 members’ views and perceptions relating to Corporate Governance and it key function and roles. To illicit views, respondents were presented with a list of statements relating to Corporate Governance.

- The need for effective leadership is a large and important aspect of governance, 92% of respondents indicated that they agreed or strongly agreed that governance is concerned with leadership and strategic direction.
- 98% of respondents felt that governance is concerned with openness and accountability. 2% of respondents disagreed with this statement
- Although a large proportion of members either agreed or strongly agreed (88%) that their Trustees are aware of the corporate governance responsibilities, 12% indicated that they didn’t know or disagreed with this statement.
- 98% of respondents agreed or strongly agreed that Board of Trustees/Directors are ultimately responsible for the organisation’s governance. 2% disagreed with this statement.
The majority of respondents had a high level of confidence in their Trustees responsibility to corporate governance. However, 13% of respondents stated that they did not know if their Trustees recognised their role of taking overall responsibility for their organisations governance, with 3% stating that they felt that their Board did not take this responsibility seriously.

Level of confidence in Broad Trustees
Strong leadership comes from trustee effectiveness, understanding and skills. The responses shows that overall Trustees are deemed to have at least an excellent or a very good understanding of their corporate governance duties. In particular, the Chairperson results are extremely positive.

- 84% of respondents stated that the Chairperson had a good or excellent understanding of corporate governance.

- Interestingly, responses to the Vice Chairperson indicate that 7% of respondents felt they only had a limited understanding of corporate governance.

- A sizable proportion of respondents (45%) felt that CO3 could provide additional support services relating to corporate governance. The qualitative data mainly focusses on respondents providing information/training on the Chief Executive Role & Relationships with Board in delivery of good governance.
Introduction

Size, Structure and Location of Respondents

A series of questions were structured to identify if there are specific support requirements linked to the size, structure and location of the organisation.

The majority of respondents indicated that they had an organisational turnover of between £1 million and £5 million (37%). The second highest rate of respondents (25%) had an annual turnover of between £150,000 and £500,000. 17% of respondents stated that they had an organisational turnover of between £1 million and £5 million. 6.5% had a turnover ranging from £11 million to £36 million plus.
**Location that organisations operate within**

Respondents were asked to state in which location they operated within. The majority of respondents operated on a regional basis, 52% stating they have a reach that extended across the region (Northern Ireland). A sizeable portion, 33% operated within Belfast City and 21% operated within Lisburn and Castlereagh District council area. Interestingly, 10% indicated that they functioned across the four jurisdictions of the UK and 9% of respondents operated in the Republic of Ireland. The least number of respondents provided services in the Fermanagh and Omagh District Council area.

<table>
<thead>
<tr>
<th>Location</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Northern Ireland</td>
<td>52%</td>
</tr>
<tr>
<td>All UK</td>
<td>10%</td>
</tr>
<tr>
<td>Antrim and Newtownabbey District</td>
<td>13%</td>
</tr>
<tr>
<td>Armagh City, Banbridge and Craigavon District</td>
<td>10%</td>
</tr>
<tr>
<td>Belfast City</td>
<td>33%</td>
</tr>
<tr>
<td>Causeway Coast and Glens District</td>
<td>9%</td>
</tr>
<tr>
<td>Derry City and Strabane District</td>
<td>8%</td>
</tr>
<tr>
<td>England</td>
<td>5%</td>
</tr>
<tr>
<td>Fermanagh and Omagh District</td>
<td>7%</td>
</tr>
<tr>
<td>Ireland</td>
<td>9%</td>
</tr>
<tr>
<td>Lisburn City and Castlereagh District</td>
<td>21%</td>
</tr>
<tr>
<td>Mid and East Antrim District</td>
<td>9%</td>
</tr>
<tr>
<td>Mid-Ulster District</td>
<td>8%</td>
</tr>
<tr>
<td>Newry City, Mourne and Down District</td>
<td>10%</td>
</tr>
<tr>
<td>North Down and Ards District</td>
<td>17%</td>
</tr>
<tr>
<td>Scotland</td>
<td>4%</td>
</tr>
<tr>
<td>Wales</td>
<td>4%</td>
</tr>
</tbody>
</table>
Third Sector Organisations Income Streams

Third Sector organisations receive their funding from a diverse range of streams. Respondent were asked to indicate the approximate percentage breakdown of their funding sources. Interestingly, respondents indicated that the largest proportion of their income was generated from trading activities (60%).

Grants from charitable/philanthropic Trusts funding was cited as the second biggest source of income. Funding from Health and Social Care Board/Trusts, Local Councils and Government Departments also represented a significant proportion of respondents’ income source. Public donations (43%) also accounted for a substantial proportion of respondents’ income source.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from trading investments</td>
<td>19%</td>
</tr>
<tr>
<td>Europe</td>
<td>21%</td>
</tr>
<tr>
<td>Other</td>
<td>23%</td>
</tr>
<tr>
<td>Private sector</td>
<td>27%</td>
</tr>
<tr>
<td>Public Donations</td>
<td>43%</td>
</tr>
<tr>
<td>Grants from Local Government</td>
<td>43%</td>
</tr>
<tr>
<td>National Lottery</td>
<td>47%</td>
</tr>
<tr>
<td>Government Departments</td>
<td>49%</td>
</tr>
<tr>
<td>Grants from Health and Social Care Board/Trusts</td>
<td>54%</td>
</tr>
<tr>
<td>Grants from charitable/philanthropic Trusts</td>
<td>57%</td>
</tr>
<tr>
<td>Income from trading activities</td>
<td>60%</td>
</tr>
</tbody>
</table>

The diverse range of funding streams highlight the changing public funding environment and the moves towards a more market based approach.

“We are endeavouring to moving closer to a social enterprise model by franchising our programme & services”.

“Our Income generation strategy aims to diversify our income streams by increasing trading income, particularly open market trading and reduce our reliance on public sector contracts”.

In addition, to asking respondents for a breakdown of their funding sources, a question was posed to capture what proportion of the total funding received was spent within Northern Ireland (NI). 84% of respondents indicated that between 91-100% of their income was spent within NI.

<table>
<thead>
<tr>
<th>Percent breakdown</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 10 %</td>
<td>1%</td>
</tr>
<tr>
<td>11-20%</td>
<td>1%</td>
</tr>
<tr>
<td>21-30%</td>
<td>1%</td>
</tr>
<tr>
<td>31-40%</td>
<td>1%</td>
</tr>
<tr>
<td>41-50%</td>
<td>0%</td>
</tr>
<tr>
<td>51-60%</td>
<td>0%</td>
</tr>
<tr>
<td>61-70%</td>
<td>1%</td>
</tr>
<tr>
<td>71-80%</td>
<td>4%</td>
</tr>
<tr>
<td>81-90%</td>
<td>5%</td>
</tr>
<tr>
<td>91-100%</td>
<td>84%</td>
</tr>
</tbody>
</table>
Staff, Board and Volunteers

Staffing numbers
A Third Sector organisation’s staff team and volunteers play a key role in the effective delivery of its mission and aims. There are clear legal employer obligations that Third Sector organisations are bound by. Significant changes to social and employment legislation, has changed the legal landscape that Third Sector organisations work within. Also the size and structure of organisations will in part determine the necessary governance arrangements. Therefore, questions were posed to ascertain the staff size, structure and the number of Trustees.

The majority of respondents have a staff team of between 1 and 5 (17%) or 6 and 10 (17%). 13% of respondents have between 21 and 30 staff members, also a sizable proportion have 76+ staff members (14%) and 10% indicated that they employ 200+ staff.

Although, the Board of Directors/Trustees take ultimate responsibility for the governance of their organisations, the Chief Officer plays an integral role in the management of their organisation and in providing effective leadership, creating a sense of mission, inspiring staff and focusing the organisation on the achievement of its ambitious objectives. The Senior Management Team (SMT) also play a key function in supporting the Chief Officer. Therefore, specific questions were asked relating to the number of Senior Managers and Board Trustees.
The results indicate that most Chief Officers have a SMT consisting of two and typically between 9 and 12 Trustees.

Given the important roles that volunteers play in supporting Third Sector organisations to deliver on their missions, we asked respondents if they utilised the support of volunteers (excluding management committee/trustees) that work within their organisation. A high proportion (72%) indicated that they required the support of volunteers.

“Over 350 volunteers, in fundraising, shops, reception, direct care etc”.

“We currently have 35 clinical placements (Volunteers)”.

“Volunteers are approx 2/3 of our total workforce”.
The length of time a Chief Officer has been in post may also be a determining factor in establishing effective working relations with the Board of Trustees and the staff team. Therefore, we wanted to ascertain the average length of service of a Chief Officer. The majority of respondents indicated that they have been in post between 1 and 5 years (34%). Interestingly, a large number of Chief Officers have been in post between 6 and 10 years. 20% of respondents have been in post 11 and 20 years.

<table>
<thead>
<tr>
<th>How long have you been in post?</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year or less</td>
<td>11%</td>
</tr>
<tr>
<td>1-5 years</td>
<td>34%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>22%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>12%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>8%</td>
</tr>
<tr>
<td>20-25 years</td>
<td>7%</td>
</tr>
<tr>
<td>26 years+</td>
<td>6%</td>
</tr>
</tbody>
</table>

Little attention has been paid to how partnerships between organisations in different sectors are governed, or the impact of partnership working and receiving government contracts is having on governance practices at the organisational level. Organisations may also adopt a variety of legal forms and are subject to different regulatory regimes. Many Third Sector organisations operate as registered charities, and are a company limited by guarantee. All of which have implications for organisational governance. Therefore, in the first instance, we wanted to determine if respondents had any experience of working in either the Public and/or Private Sector.

A significant proportion of respondents (75%) indicated that they had experience of working in a different sector.

“15 years in the public sector. Corporate governance very similar”.

Have you experience of working in another sector - public or private?

- Yes: 75.3%
- No: 24.7%
“6 years public sectors (local government). High standards of corporate governance required of our sector - this is appropriate but often exceeds that of public sector”.

“Worked in the public sector for 15 years and seconded to the voluntary sector until RPA. As a result this has informed and influenced corporate governance in our organisation”.

“8 years private sector 15 years civil service 7 years other voluntary sector Extensive experience of over burdensome and grossly wasteful corporate governance in civil service that stopped all creativity and risk taking - we must not go there”.

“11 years in private sector. No understanding of how governance worked”.

“21 yrs in private sector & 3 yrs in public sector. My experience is Corporate governance in former a lot more rigorous & explicitly applied than in 3rd or public sectors. Public sector overly bureaucratic in application of governance to the point where it is unwieldy & at times irrelevant (& not value for money)”.

How long have you worked in the Third Sector?

<table>
<thead>
<tr>
<th>Duration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year or less</td>
<td>12.0%</td>
</tr>
<tr>
<td>1-5 years</td>
<td>17.3%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>20.0%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>14.7%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>8.0%</td>
</tr>
<tr>
<td>20-25 years</td>
<td>26.7%</td>
</tr>
<tr>
<td>26 years+</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Although the majority of respondents indicated that they had worked in other sectors, a significant proportion indicated that they have gained between 16-20 years of their work experience within the Third Sector. 20% stated that they have accumulated 26+ years of working within the Third Sector.

Transparency and Accountability
The Charity Commission consider transparency and accountability as providing relevant and reliable information to stakeholders in a way that is free from bias, comparable, understandable and focused on stakeholders.

It is equally important that, in carrying out their duties, charity trustees take steps to ensure the public has easy access to accurate and relevant information about their organisation. This includes information on the charity’s financial position and performance, organisational structure, policies, priorities, activities and achievements. (Charity Commission, 2013)
It is an accepted fact that the level of openness and transparency that exists within a Third Sector organisation plays a key role in establishing and maintaining high levels of public trust. The published Annual Report is viewed as a key communication tool for Third Sector organisations demonstrating how they benefit the public. Therefore, we wanted to determine the key statistics that respondents felt should be included within the Annual Report.

**Income**

100% of respondents agreed that a Third Sector organisation's income should be included within the Annual report.

**Beneficiaries**

A large proportion (94%) of respondents felt that an Annual Report should contain key information relating to the total number of beneficiaries. The remaining 6% of respondents stated that they did not know if stats relating to beneficiaries should be shared within the Annual Report.
The majority of respondents stated that the information relating to their fundraising activity charities, should be included within the Annual report. 13% of respondents did not know if information relating to fundraising was needed and 4% stated that stats relating to fundraising should not be contained within the Annual Report.

**Number of staff earning more than £60,000**

Although a significant proportion of respondents stated that information on salaries over £60,000 should be included within the Annual Report, 18% of respondents either disagreed or strongly disagreed that this was necessary.
Chief Executive’s salary package

Similarly, when asked specifically about the Chief Executive’s salary package, although a large proportion of respondents felt this detail should be disclosed within the Annual Report, 25% stated that this detail should not be included.

Website
A high level of transparency and good communication is an essential part of good governance. An organisation’s website is viewed as an important communication tool to provide information to a range of stakeholders. Therefore, we wanted to ascertain what information respondents felt should be included on their website.

Total income

73% of respondents felt that information relating to the organisation’s income should be disclosed on their website. 14% of respondents disagreed.
Fundraising

The website should have a section that clearly discloses key statistics relating to the charity's proportion of income spent on fundraising.

70% of respondents agreed that the proportion of an organisation's income spent on fundraising should also be disclosed. Whilst 16% didn’t know and 14% either disagreed with this statement.

Beneficiaries

A large proportion (78%) of respondents felt that the website should contain key information relating to the total number of beneficiaries. 13% of respondents did not know if this detail was required and 9% stated that information relating to beneficiaries should not be shared through this medium.
Number of staff earning more than £60,000

Less than half, (41%) of respondents felt that information relating to salary income of staff earning more than £60,000 should be shared on their organisation’s website. 22% did not know and 37% disagreed that this detail should be shared via the website.

Chief Executive's salary package

The issue of Third Sector Chief Executive pay featured in the media in 2014. One of the criticisms emerging from this coverage was the lack of transparency relating to pay. Therefore, we asked respondents to share their views as to whether this information should be contained on their website. 30% felt that the salary package details of Chief Executives’ salaries should be included. Whilst 45% of respondents felt that information in relation to the salary package should not be included on the website. 25% were undecided on this point.

“Although the public have a right to know how funds are spent, a lack of clear understanding might raise prejudice against high salaries, CEO packages etc. I don’t see how disclosing this level of detail either in the Annual Report or within the website would be of benefit”.
“I think CEOs earning over the 45,000K threshold should be asked to disclose their whole package. In the interest of transparency and good governance I think it is worthwhile - but it should be also explained/justified in terms of responsibilities, and the job function and role”.

“...The disconnect is not only about what we do but the fact that we want paid to do it. Expectations for voluntary workers to deliver or support key services is often unrealistic”.

Public Perceptions of the Third Sector

Another key point from the media attention in 2014, was that some members of the public held a Victorian view of how Charities operated. The media attention revealed a clear disconnect between what is involved in leading a modern day Third Sector organisation. This realisation is captured in respondents responses, with 64% agreeing with the statement below and also the recognition that Charities have to get better at explaining how income is spent, 81% of respondents agreed with this statement. However, 19% of respondents disagreed with the statement that there is a disconnect between public, politician and donors and the Third Sector.

Disconnect between what we do and what the public, politicians and donors think we do

There is a disconnect between what we do and what the public, politicians and donors think we do.

still a perception that charity staff should do their job on a voluntary basis; or that it is “less professional” and more of a “do-gooder” approach rather than a successful, effective organisation.”

“I would say that the majority of people don’t realise that charities are essential and sometimes the only providers of services for the population. The expertise of charities is misunderstood by the public.”

“I think this this issue is well illustrated in the Dan Pallotta Teds presentation and the problem of confusing ‘morality with frugality’. This links with the points made around not for profit organisations never being able to generate any kind of scale or momentum (thereby lessening their ability to deal with large scale social issues) because they are restrained by notions around keeping overheads low – particularly marketing and ‘risk capital’ overheads and to some degree salary costs. Public perception of what the sector is and does needs to be challenged and informed in a concerted and joined up way”.

27% strongly agree
37% agree
15% don’t know
19% disagree
2% strongly disagree
We've got to be better at explaining why we spend money in the way that we do

“As a charity with trading activities and the difficulties we have faced with NICS not able to understand accounts, I do not believe a charity should disclose its accounts until the end of an accounting period. Private companies would not disclose their trading income to competitors, why should we”

“For those of us working as regional support agencies and who don't have ‘medical’ beneficiaries - those who sit outside of the norm of charities such as Barnardo’s, Cancer charities etc, it can be hard to see what we do and the purpose of our existence. The work we do is often under the radar, lobbying, campaigning, changing hearts and minds, encouraging departments to think differently when solving problems and reminding them of life outside of large towns and cities, it can be difficult for the wider public to understand the importance of this role.

“I think we need to be better at explaining the business requirements of a charity and that professional staff need to be paid otherwise the charity cannot not retain the people they need. While we are very reliant on the contribution of volunteers, volunteers do-not and can-not replace staff. Many volunteers want to work on 2/3 hours per week, it would not be possible to run an organisation such as this on that level of commitment. Many volunteers are retired and do-not want the responsibility the had while working e.g. a nurse volunteering only wants to help not do nursing care”.
There is a lack of understanding amongst the general public on what a modern day charity does

A significant proportion of respondents agreed that there is a lack of understanding amongst the general public on a modern day charity, with 91% either agreeing or strongly agreeing with this point. This correlates to the two previous responses relating to public perceptions of the Third Sector.

“The general public is sometimes not fully aware of the professional standards charities aspire to and how important it is to have qualified and well trained staff providing good quality services to those in need”.

“I think that Charities come in a variety of different shapes and sizes. It can be difficult for the public to understand the public benefit at times, as many charities don’t work directly with people. Some charity's work business to business”.

“As highlighted in recent publicity, general public do not understand the value provided by the sector and services we provide. Referring to ‘charities’ creates an expectation that this is amateur and voluntary. This needs to be addressed and in particular should highlight the services which would not be available to NI society without the crucial functions delivered by charities”.

“Even when I chat to my family I don’t think they have a proper perspective and I have always worked in this sector. There is definitely a need for a campaign to highlight the work of people in charities and the pressures and demands of this work. This should also include the role of employees in charity vs volunteers in charity”.

Chief Executive Pay in the Third Sector

Given the media attention on Third Sector Chief Executive pay, we wanted to ascertain the particular viewpoints of Third Sector leaders. 18% of respondents stated that they were approached by the media to disclose their salary. 79% of those approached shared their salary details, whilst 21% did not.
82% of respondents were not approached by the media, but when asked if they were approached how many would disclose their salary details 49% stated that they would share their salary details. 35% stated that they would not and 16% of respondents are undecided.

“I have no difficulty with disclosing my salary”.

“I would have been wary of disclosing my salary to a journalist as I would not know how that would be interpreted. I am wary of the lack of journalistic integrity that exists in NI and think this issue was raised on the back of the scandal in the Republic, not for public good. If it had been a journalist that I
trusted or who had explained the general purpose of the article and I felt it was the right thing to do I would have had no question in disclosing my salary”.

“I would have taken the advice of my Board”.

“I think it’s also important to point out salaries of comparable posts in statutory organisations - well recognised that terms and conditions are better in the public sector and the voluntary sector should be able to match those terms to recruit the best candidates”.

“I think that this is a wider issue than the re-numeration of Third Sector Chief Executives and cuts to the core of what the modern Third Sector is and how it differs from public and media perception. I would highlight Dan Pallotta’s TED presentation as a useful summary of some of the issues (albeit with a slight transatlantic slant) … I think there is a role for CO3, NICVA and individual organisations to challenge these perspectives and help create a better understanding of the sector and what it does in tandem with making the case for fair re-numeration”.

“What is important is that data on the charities operations is open and easy to access - the CEO salary is just one of the bits of data. To me it doesn’t matter that a CEO gets paid over £60000 but it would matter if the gap between the CEO pay and an average worker was disproportionate or the level of salary was hindering the charities ability to serve its public”.

We also wanted to learn how many respondents were aware of the process involved in deciding on their salary scale. A large proportion of respondents stated that they were aware of the process utilised by the Board, however 22% of respondents did not know.

“It is important to protect the charitable function of organisations, it is important for the public to feel, and know they are getting value for money. CEO’s in this sector work hard, they often have uncertain conditions of tenure and longevity in their roles. I feel a greater understanding of the demand of the role, the pressures of the job and the uncertainty should be made public knowledge. but in all of this people should be paid for what they do on an equivalent basis to those in any other sector. staff should not be seen as being ‘charitable’ or have to be penalized because of their chosen job role. if they are professional they should be paid a professional salary”.

If No, if you had been contacted would you have disclosed your salary?

- Yes: 49.1%
- No: 34.5%
- Don’t know: 16.4%
We also wanted to determine, who respondents felt were responsible for responding to enquires relating to Third Sector Chief Executive pay. Although a significant proportion of responses indicated that this responsibility sits with the Chair and Board, 10% of respondents felt this was the responsibility of the Chief Executive, or both the Chief Executive and the Chairperson 24%.

Although a relatively low proportion of respondents were approached by the media, we felt it was important to gauge how confident they would be responding to questions relating to charity income, including details relating to pay. 38% of respondents stated that they were either extremely or very confident. 28% are confident and 25% somewhat confident. Only 9% indicated that they were not confident responding to such enquires.
How confident do you feel responding to media enquiries/questions relating to charity income, including details surrounding pay? (1 = extremely confident, 5 = not confident)

“we must endeavour to inform journalists proactively”. 
**General Views on Corporate Governance**

The questionnaire was also an opportunity to gauge the temperature of CO3 members’ views and perceptions relating to Corporate Governance and its key function and roles. Respondents were presented with a series of statements. The following pie charts demonstrate a positive response and understanding of Corporate Governance.

The need for effective leadership is a large and important aspect of governance, 92% of respondents indicated that they agreed or strongly agreed that governance is concerned with leadership and strategic direction.

Governance is important for maximising organisation performance and success.
Governance is concerned with accountability and compliance

- Strongly agree: 71%
- Agree: 29%

Governance is concerned with openness and accountability

- Strongly agree: 72%
- Agree: 26%

Board of Trustees/Directors are ultimately responsible for the organisation's governance

- Strongly agree: 79%
- Agree: 18%
Although a large proportion of members either agreed or strongly agreed (88%) that their Trustees are aware of the corporate governance responsibilities, 12% indicated that they didn’t know or disagreed with this statement. This correlates to the next question relating the level of confidence amongst respondents.

The majority of respondents had a high level of confidence in their Trustees responsibility to corporate governance. However, 13% of respondents stated that they did not know if their Trustees recognised their role of taking overall responsibility for their organisations governance, with 3% stating that they felt that their Board did not take this responsibility seriously.

If you agreed that the Board of Trustees/Directors are ultimately responsible for the organisation's governance, do you feel that this is a responsibility that they take seriously?
A significant proportion of respondent’s time was also focussed on governance work, with 34% of respondents indicating that they spent at between 20% and 30% of their time focusing on governance.

In addition to CO3 members being Chief Executives/Senior Managers within Third Sector organisations, many also hold Trustee positions. 42% of respondents stated that they held a Trustee position in another Third Sector organisation, whilst 58% did not.
What do you perceive to be the level of understanding and their role on corporate governance for each of your Directors/Trustees?

Strong leadership comes from trustee effectiveness, understanding and skills. The responses show that overall Trustees are deemed to have at least an excellent or a very good understanding of their corporate governance duties. In particular, the Chairperson results are extremely positive. Interestingly, responses to the Vice Chairperson indicate that 7% of respondents felt they only had a limited understanding of corporate governance.
A significant proportion of respondents (45%) felt that CO3 could provide additional support services relating to corporate governance. The qualitative data mainly focuses on respondents providing information/training on the Chief Executive Role & Relationships with Board in delivery of good governance.

The following comments highlight some of the comments respondents shared relating to additional support responses.

**Formation and management of boards would be helpful training and recruiting boards**

I am aware of CO3’s work in terms of transition preparation. I think it would be good for CO3 to build on this with a basic induction programme for new CEO’s. I was asked for a degree and I see smaller organisations asking the same thing but in reality the job is very different to being a senior manager. I would have really appreciated a 2 or 3 day course that ran in my first year or 18 months that outlined all the things a CEO needs to think about. Actually, an equivalent to the diycommittee guide for CEO’s would be great.

**Financial responsibilities and conflict of interests**

Chief Executive Role & Relationships with Board in delivery of good governance

While I would be happy with my knowledge of governance it is always good to have a refresher as I can sometimes get caught up in the day to day struggle.

Establishing appropriate relationship and involvement of key stakeholders in strategic planning process.

Short courses on how to bring the board up to speed with their governance responsibilities, training for Boards with CEOs

Governance training and refresher training for board of trustees.
Governance training and refresher training for board of trustees.

Excellent media response by CO3 to the recent debate/enquiries on this issue.

The media training course that CO3 organised was excellent, really helped to steady my confidence and changed my perception and how I will respond and engage with the media.
Conclusion and next steps

The motivation for issuing the survey was twofold. Firstly, the findings are pertinent to gauge the views and perspectives of CO3 members relating to Corporate Governance. Secondly, they provide the basis of shaping the planning work of CO3 on further support it may provide for its members.

For the purposes of this survey Corporate Governance has been defined as: ‘the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation’.

Roles, Responsibilities and Leadership

Strong corporate governance provides legitimacy, accountability and transparency for all stakeholders. In addition, it provides a framework for responsible decision making and safeguards for funders. The findings show that, generally speaking, respondents are confident with their Board’s overall ability however, there is always room for improvement. 13% of respondents stated that they did not know if their Trustees recognised their role of taking overall responsibility.

The role of Trustees is to ensure that the organisation has a clear mission and strategy, but not necessarily about developing it. It is about giving guidance on the overall allocation of resources. They hold the responsibility for the organisation’s performance, but are not concerned with the operational tasks.

Strong leadership comes from trustee effectiveness, understanding and skills. The responses illustrate that overall Trustees are deemed to have at least an excellent or a very good understanding of their corporate governance duties. In particular, the Chairperson results are extremely positive. The need for effective leadership is viewed as an important aspect of governance, 92% of respondents indicated that they agreed or strongly agreed that governance is concerned with leadership and strategic direction.

The External Context

In recent years there has been a remarkable growth in the level of awareness and activity surrounding corporate governance. This interest has not been confined to just the Third Sector, but across the Private and Public Sectors also. However, there are added complexities to running a modern day Third Sector organisation, the progressive development of earned income streams and risks associated with contracting and over dependence on one funding source. The triple bottom line that Third Sector organisations continuously strike towards places a strong emphasis on the need for corporate governance. The altruistic values of charities, have to marry with the economic and environmental impact also.

In difficult economic times strong governance is more important to enable charities to respond effectively and rapidly to emerging risks and deliver on their objectives. Over recent years the Third Sector has been subject of closer media and political examination. A significant factor is that many Third Sector organisations are now operating in an environment which is different than when the organisation were established.
The Charities Act (Northern Ireland) 2008 introduced a new regulatory framework for the charitable sector in NI. The charity registration process currently being rolled out, in part focusses its attention on the Corporate Governance of the organisation. Charities must comply with the Charity Commissioners’ disclosure, reporting and accounting requirements and conform to the law on such matters as trading, political activities and fundraising. Also, many Third Sector organisations are companies limited by guarantee and thus bound by the Companies Act.

Public Scrutiny
In 2014, Third Sector Chief Executive Pay, fell under public scrutiny. The media coverage resulted in many Trustees and Chief Officers to look more critically at their organisations in order to satisfy themselves that the systems and the checks and balances are in place to enable them to discharge their responsibilities. Overall there is a high level of recognition that good governance is a vital part of how Third Sector organisations operate and are held accountable. Building transparency and trust is viewed as critical. However, 22% of respondents did state that they were not aware of the process utilised by the Board to set their pay. Although, 82% of respondents were not approached by the media, when asked if approached how many would disclose their salary details, 49% stated that they would share their salary details. 35% stated that they would not and 16% of respondents were undecided. Yet, 98% of respondents felt that governance is concerned with openness and accountability.

Third Sector Income
The diverse range of funding streams highlight the changing public funding environment and the moves towards a more market based approach. Respondents indicated that the largest proportion of their income was generated from trading activities (60%). A significant agent of change in this respect has been the development of the contract culture and of course the reduced funding support available.

Grants from charitable/philanthropic Trusts funding was cited as the second biggest source of income. Funding from Health and Social Care Board/Trusts, Local Councils and Government Departments also represented a significant proportion of respondents’ income source. Public donations (43%) also accounted for a substantial of respondents’ income source.

Public Perceptions and transparency within the Third Sector
The media attention on CEO pay in 2014 revealed a clear disconnect between what is involved in leading a modern day Third Sector organisation. This realisation is captured in respondents responses, with 64% agreeing with the statement ‘There is a lack of understanding amongst the general public on what a modern day charity does’. The majority of respondents agreed that Charities have to get better at explaining how income is spent, 81% of respondents agreed with this statement.

A significant proportion of respondents agreed that there is a lack of understanding amongst the general public on a modern day charity, with 91% either agreeing or strongly agreeing with this point. Annual reports were viewed as an opportunity to demonstrate publicly good governance and lead the way. However, the majority of respondents shared mixed views as to whether or not the website was an appropriate method to share information specifically relating to income and salaries. This raises questions
General Views on Corporate Governance

The majority of respondents had a high level of confidence in their Trustees responsibility to corporate governance. However, 13% of respondents stated that they did not know if their Trustees recognised their role of taking overall responsibility for their organisations governance, with 3% stating that they felt that their Board did not take this responsibility seriously. There was a high level of confidence in Board Trustees with 84% of respondents stated that the Chairperson had a good or excellent understanding of corporate governance.

The role of Board is to give strategic direction to the Third Sector organisation. Overall, there was a positive response on the competence of Trustees in particular the Chairperson. The general perception is that Third Sector leaders have confidence in their Chair and Boards ability. That said, there is always room for improvement.

Next Steps

A sizable proportion of respondents (45%) felt that CO3 could provide additional support services relating to corporate governance. The qualitative data mainly focusses on respondents providing information/training on the Chief Executive role & relationships with Board in delivery of good governance. Trustees hold ultimate responsibility for the organisations governance however, the systems and relationship the Chief Officer develops with the Board, service users and staff are central to the overall effectiveness of the organisation. The capacity of Trustees to govern and to effectively control charities is dependent partly upon the quality and relevance of the management information which is made available to them by the Chief Officer and Senior Management team of the organisation.

Therefore, over the course of 2015/2016 CO3 will be offering members a series of training and networking events themed under Corporate Governance. Please refer to the CO3 website for further information.