



**An Roinn Caiteachais
Phoiblí agus Athchóirithe**
Department of Public
Expenditure and Reform

Sarah Cremin
Committees' Secretariat
Houses of the Oireachtas Service
Leinster House
Kildare St
Dublin 2

29th March 2022

Ref: S0779 PAC33

Dear Ms Cremin,

I refer to your correspondence dated 11th March 2022 seeking further information concerning the decision of the Department of Public Expenditure and Reform to terminate funding to Benefacts. Thank you for providing a link to the transcript of the Committee's proceedings of the 17th of February 2022, which was helpful in assisting the Department to provide this response.

At the outset, I wish to notify the Committee that Benefacts ceased trading and operations on or around the 15th of March 2022. The company is in the final stages of a voluntary strike-off procedure with the Companies Registration Office. The company is also undergoing a final audit in accordance with the provisions of the extended grant funding agreement in place until the 31st March 2022. Pursuant to the rules on grants, residual funds have been returned to the Department. Furthermore, the retired database is due to be transferred imminently to a public research facility. Officials of the Department are continuing to work closely with the officers of Benefacts to ensure the orderly, timely and compliant cessation of the company.

In respect of your correspondence, I wish to advise the Committee of the following information:

1. Pathfinder Projects and Benefacts:

Pathfinder projects are pilot projects that aim to improve whole-of-government responses to cross-cutting challenges using new policy approaches and interventions.

In the context of Benefacts, the Department initially co-funded this pathfinder project (with funding also provided by philanthropic bodies) in order to seek to address shortcomings concerning data collection in the not-for-profit sector and, in particular, the charities sector which had been the subject of a number of historical, high-profile controversies.

At the time of this initiative's inception, the State was not in a position to specify a contract for services to deliver such a project and the body that was the precursor to Benefacts (INKEx) was considered the only potential supplier with sufficient prior experience to meet the State's needs. The Department provided funding (which at the time was matched by philanthropic bodies) for a three year period to the value of €1.95m (2015-2017).

In 2017, the Department conducted a review of its funding of Benefacts. This review concluded that Benefacts had enabled a greater level of transparency in the sector. Records show that the Project Advisory Group of public service officials estimated savings to the State during that period in the region of €600,000 per annum (against a grant from the Department averaging €650,000 per annum over the same period). During this period, the Charities Regulatory Authority used the data from Benefacts to assist it in its functions.

On the basis of the review in 2017, a decision was taken to provide a second three-year grant funding arrangement with Benefacts.



In 2018, in preparation for a future review of this expenditure line, the Department commissioned Indecon to provide an independent report on the maturity of the market for data on the not-for-profit sector. The report - received by the Department in 2019 - indicated that the market had matured enough to enable the State to procure services similar to those provided by Benefacts from it.

As part of the review of Benefacts' funding undertaken in 2020, the Department took the following, *inter alia*, into account:

- the decision of the Charities Regulatory Authority to compile its own registry and to no longer use the Benefacts database;
- the fact that policy responsibility for the not-for-profit sector (including policy responsibility for the Charities Regulatory Authority) had since been vested in the Department of Rural and Community Development;
- the findings of the Indecon report that a mature market existed to enable the procurement of the type services provided by Benefacts;
- the fact that the State's grant was far in excess of the quantifiable benefits derived from Benefacts;
- the persistence of State Aid and procurement risks.

In considering these matters, and having weighed-up the previous investment by the State and the intangible, non-quantifiable benefits associated with Benefacts, the decision was made to terminate funding to this pathfinder project.

2. Addressing the procurement risk:

The issues of procurement risk and State Aid were considered by the Department during the project's lifecycle. This included consideration of options that may have had potential risk-reducing dimensions for the State, in terms of both State Aid and procurement law. Having considered the options, the Department came to the view that, where an appreciable business need could be identified by a public service body, the most prudent avenue available to the State would be through an open procurement competition, or through provision by a public body with direct policy ownership related to the not-for-profit sector.

3. The Department's role in creating a successor database:

The Department is not considering funding a new or similar database to replace the Benefacts database. Following the establishment of the Department of Rural and Community Development (DRCD) in 2017, and the relevant transfer of functions to that Department (including policy responsibility for the Charities Regulatory Authority and the State's relationship with the community and voluntary sector), it is now a matter for the DRCD to consider whether an appreciable business case exists to establish a database or service similar to that previously provided by Benefacts.

4. Costing of a successor database:

This Department has not costed a replacement database as the Department does not intend to involve itself in any future project of this nature. However, the Indecon report, received by the Department in 2019, indicated that a well-managed, open procurement process would be likely to attract bids from a number of operators in the data analytics field. It also found that such a process would have the potential to enhance cost effectiveness and could present opportunities for new innovations, including emerging data-analytics tools.



The Department will analyse any proposal by the DRCD in the usual course, in accordance with the Public Spending Code, if required and considered appropriate.

5. Dialogue with the Department of Rural and Community Development and other stakeholders:

In September 2020, the Department advised relevant public service bodies including the DRCD in writing that, following a review of the funding of Benefacts, this Department did not intend to provide further funding to Benefacts.

On foot of the Department's decision, discussions were held with the DRCD and others. As part of those discussions, this Department cited the possibility of providing exchequer funding through the DRCD Vote to enable it to fund Benefacts (where that Department considered that it had a sufficient business need for the continued operation of Benefacts). In October 2020, the DRCD provided a written response indicating that it would not be in a position to pursue this option at that time. As part of the DRCD response, it was suggested that this Department might provide transitional funding to enable further time for any business case preparation and relevant analysis to be completed.

The Department provided a further one-year funding allocation to enable public service bodies to consider their own needs in terms of the services provided by Benefacts. This allocation was subsequently increased by three months; having regard to the impact of Covid-19 on deliberations.

In April 2021, I wrote to the relevant public service stakeholders reaffirming this Department's decision and strongly encouraging officials to convene and deliberate on their specific needs; and to consider all options concerning the future of Benefacts. I also wrote to the Chairperson of Benefacts at that time, to ensure the company was aware of developments, in addition to the routine meetings that officials from this Department were engaged in with the Company.

Notice period concerning the Department's decision:

I note from the record of the Committee's proceedings that it has been suggested that the Department's decision to terminate funding was conveyed at short notice. I wish to inform the Committee that the decision of the Department was notified to the Chairperson of Benefacts in writing in July 2020. Thereafter, the Department provided funding throughout 2021 and a further final extension of three months' funding was allocated until 31st March 2022, in acknowledgment of the impact of Covid-19 on the deliberations concerning Benefacts.

Notwithstanding the considerable time afforded, and efforts made, no public service body (or coalition of bodies with a lead funder) has identified an appreciable business need to continue funding Benefacts into the future.

I hope the Committee finds this information useful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'David Moloney', is written over a horizontal line.

David Moloney
Secretary General