

Teagasc Financial Statements 2017

Opening Statement to the Oireachtas Public Accounts Committee by Professor Gerry Boyle, Director Teagasc, October 4th 2018

Introduction

Chairman, I welcome this opportunity to present this opening statement to the Committee.

I intend to address the following matters:

- Teagasc mandate, mission and goals
- Teagasc programmes
- Teagasc sites
- Trend in Teagasc finances
- Research, advisory and education outputs
- Challenges in the management of Teagasc finances and recruitment and retention

Teagasc mandate, mission and goals

Mandate

Teagasc was established under the *1988 Agriculture (Research, Training and Advice) Act* with a remit to:

- “To provide or procure educational, training, and advisory services in agriculture”.
- “To obtain and make available to the agricultural industry the scientific and practical information in relation to agriculture required by it”.
- “To understand, promote, encourage, assist, co-ordinate, facilitate and review agricultural research and development (including research and development in relation to food processing and the food processing industry)”.

Mission

The Mission of Teagasc as adopted by the Authority is to:

“To support science-based innovation in the agri-food sector and wider bioeconomy so as to underpin profitability, competitiveness and sustainability”.

Goals

The Teagasc Authority has adopted four goals:

1. Improve the competitiveness of agriculture, food and the wider bioeconomy
2. Support sustainable farming and the environment
3. Encourage diversification of the rural economy and enhance the quality of life in rural areas
4. Enhance organisational capability and deliver value for money

The last goal is especially relevant to today’s proceedings.

Teagasc programmes

Teagasc has six operational programmes:

1. Animal grassland research and innovation
2. Food research
3. Crops environment and land use
4. Rural economy and development
5. Advisory and extension
6. Education and training

In addition Teagasc has a central administration service embracing Finance, HR, ICT and Corporate Service functions.

The focus of these programmes is very much on meeting the challenges of Brexit, Climate Change and the ambitious targets set out in FoodWise2025.

Teagasc sites

Teagasc is a national organisation with sites distributed throughout the country. It has 51 advisory offices (down from 90 following a rationalisation programme); four colleges of further education; and seven research centres.

Trend in finances

Teagasc is obliged each year to match its expenditure with its income. It is unique as a non-commercial body in having a relatively large proportion of non-Grant-in-Aid (GIA) income, some €56 m in 2017. This non-GIA income comprises grants conferred on Teagasc as a result of success in competitions for research and advisory funds at national and EU level, advisory and education fees, farm operations, industry levies and the sale of various professional services.

In 2017 Teagasc received €125m GIA to meet its current expenditure needs and a further capital grant of €3.15m. Total pension costs amounted to about €43 m. in 2017.

If pension costs are excluded from total current expenditure, then Teagasc non-GIA income was about 45% of the 2017 current expenditure.

Chart 1 shows the trend in Teagasc's finances in recent years. Payroll costs, comprising about 40% to 43%, were fairly stable up to 2017 when they increased following the relaxation of the *Moratorium* on recruitment. Pension costs have also been relatively stable in the range 23% to 26%. The most notable feature of our finances has been the significant growth in non-pay costs which have risen from about 31% in 2012 to around 36% in recent years. This growth has arisen mainly from Teagasc's success in generating increased funding from competitive research and advisory tenders. There is a downside to this welcome trend, however, in that it has placed pressures on the management of cash flow in the absence of recourse to short-term borrowing facilities.

Performance metrics

Teagasc operates a rigorous performance and evaluation system involving external peer reviews of all of its programme as well as the monitoring and tracking of key performance indicators (KPIs).

For Research activities the relevant KPIs are shown in Table 1. Teagasc has substantially increased its level of publication in international scientific journals. It has also maintained a

steady rate of success in competitive research awards of about €20 m per annum and a similar stability is evident in the overall level of income generation that is attributable to this activity. Teagasc also operates a highly successful fellowship programme for the training of Ph.Ds. At present about 250 students are studying for Ph.Ds. involving partnerships with national and international universities and research agencies.

The KPIs for Teagasc Advisory activities are shown in Table 2. Teagasc has about 43,000 clients which pay an annual level of charges amounting to about €11.8 m. Teagasc also conducts extensive knowledge transfer activities such as Open Days, Farm Walks, Conferences, Media Communications (print and social) which are freely available. Despite staff shortages Teagasc has also increased its level of on-farm visits to well over 14,000. In recent years Teagasc has significantly increased its activity in the facilitation of Discussion Groups which now involve nearly 12,000 farmer participants.

In Table 3 the performance metrics for Teagasc Education activities are exhibited. From 2008 until recently, enrolments at Teagasc-supported colleges were increasing at a rapid rate. Following the uptake in the economy enrolments have fallen back, especially for full-time 'further education' students. Teagasc partners with a number of Institutes of Technology and UCD in the delivery of 'higher education' courses. Enrolments in these courses have been fairly stable. Following the incentives for young farmers to re-enter education enshrined in the Rural Development Programme (RDP) of the CAP there has been a substantial increase in enrolments in part-time and 'distance-education' courses. Enrolments are running at over three times the level that prevailed prior to the RDP measures. There is a significant waiting list for these courses and with the support of contract staff, Teagasc is steadily working through the backlog.

Financial management and recruitment challenges

Financial capital requirements

In the absence of access to borrowing facilities Teagasc faces significant challenges in funding its working capital requirements. This issue has become more acute in recent years as Teagasc's non-GIA income has increased significantly.

Similarly, in the absence of a borrowing facility, longer term capital funding for our research and educational infrastructure is even more challenging. Teagasc's GIA earmarks a relatively small amount of funding for infrastructural purposes which is only sufficient to partially cover maintenance costs and some minor capital works. More substantial infrastructural needs are funded as the opportunity arises through the sale of assets that are no longer programme priorities, or, through once-off special capital grants from Government. Reliance on asset sales as a funding mechanism is not a sustainable basis on which to fund on-going infrastructural needs. While the availability of special capital grants is welcome, the process results in an episodic funding schedule. This approach inhibits Teagasc's ability to meet its strategic investment needs on a planned and timely basis as well as our capacity to respond rapidly to changing programme needs, e.g. climate change. At present it is not possible to commit to a medium-term investment plan as grant-based funding requests have to be progressed on a case-by-case basis. Access to a long-term investment fund would be a highly welcome innovation.

Procurement

Teagasc is making every effort to be as fully compliant as possible in regards to its procurement practices. Significant improvement in procurement procedures have been implemented in recent years through the recruitment of specialist staff and the development of robust systems. Procurement is complex in Teagasc due to our diversified activities and the geographical dispersal of sites.

The breaches reported in the Financial Statements were brought to the attention of the C&AG by Teagasc. In the main the reported breaches were due to two factors: i) quotes being sought from a number of local suppliers rather than advertising through eTenders. We are satisfied that this did not adversely impact value for money given the number of quotes sought and the type of services procured; (ii) extension of existing contracts for services where the requirement was being reviewed, where there were delays in the implementation of the Office of Government Procurement (OGP) process or where a similar service had already been procured from that supplier.

While no breaches can be tolerated, it should be noted that the breaches amounted to tender values of €1.35m out of a total of €42m or 3.2%.

Recruitment and retention

Like many areas of the civil and public service Teagasc is facing severe challenges in recruiting and retaining high calibre staff. The main obstacle is the relatively low starting salaries that we are obliged to offer.

Appendix: Chart and tables

Chart 1: Trend in Teagasc finances 2012 to 2018 (budget data)

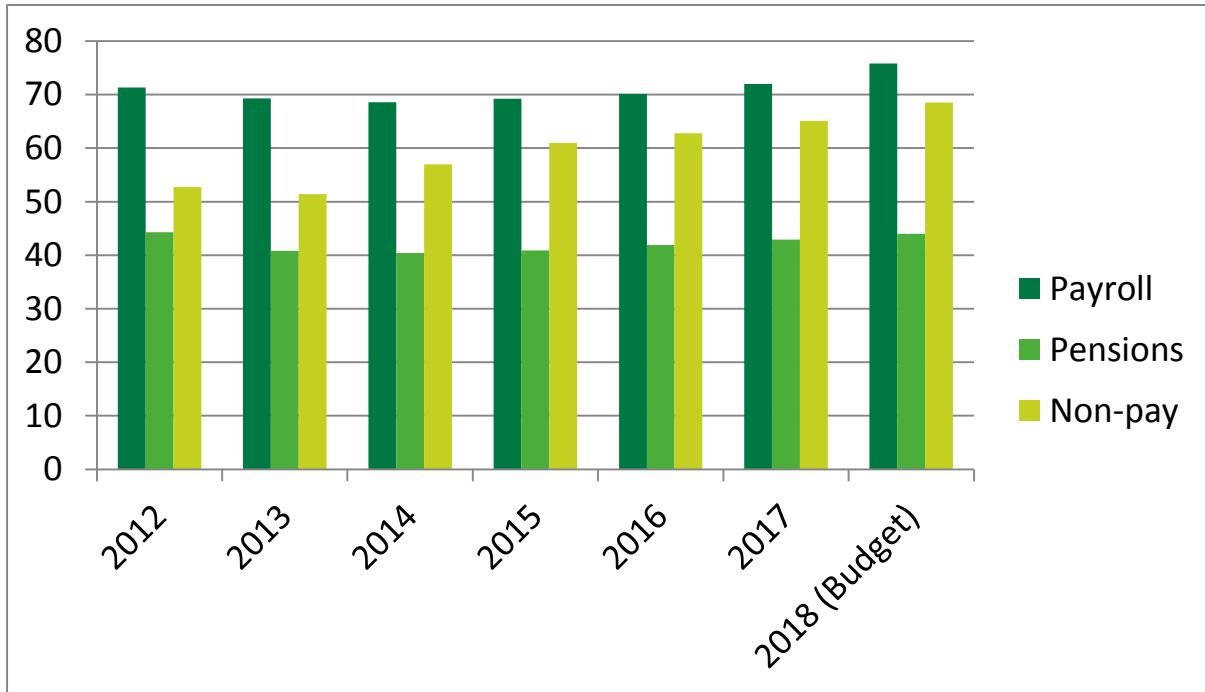


Table 1: Teagasc Research KPIs

KPIs	2015	2016	2017
Refereed publications	307	329	544
Competitive research awards (€ 000's)	20,762	19,565	18,758
Total non-GIA income (€ 000's)	30,080	29,108	30,552
Walsh Fellowships (Ph.Ds)	41	44	59

Table 2: Teagasc Advisory KPIs

KPIs	2015	2016	2017
Clients	41,986	42,115	43,452
Visits	13,289	12,925	14,409
Discussion / Project Groups	717	771	764
Farmers in groups	9,089	12,359	11,808

Table 3: Teagasc Education KPIs

KPIs (Enrolments)	2015	2016	2017
Higher Level (full-time)	447	501	451
Further Level (full-time)	1,501	1,334	1,302
Adult Part-time Green Cert	819	415	404
Adult Distance Education Green Cert	659	692	1,016