

**REPLY BY THE MINISTER OF
THE PUBLIC SERVICES DEPARTMENT
TO A QUESTION ASKED PURSUANT TO RULE 6 OF THE
RULES OF PROCEDURE BY DEPUTY P. L. GILLSON**

The Public Services Department comprises five distinct business units, each with their own operational systems which use SAP and the HUB to varying degrees. Some businesses have therefore been impacted more than others.

Question 1

Please provide a statement in relation to your department detailing whether as a result of the new SAP system efficiency and management of processes have improved, stayed the same or reduced for each of the functional areas of: estates, finance, procurement, HR management of staff and HR recruitment of staff?

Answer

Estates

It is difficult to assess at the moment whether system efficiency and management of process have improved, stayed the same or reduced. It is known that there is considerable further work to be done to fully populate the system. At this point an efficiency assessment may be undertaken.

Finance – reduction in efficiency

As “Payers”, in a number of ways business units have either not yet interfaced with SAP as agreed with the project team due to more work being required or have had to further adapt payment processes to work around payment delays. That said, the new SAP system and the relocation of services to the HUB has still impacted the Businesses. It is not possible to be precise but as an example approximately 25% of one of the Department’s Finance Manager’s time is being used resolving accounts payable problems, thus we continue to look to the situation improving as and when the new SAP processes settle in.

It has also been difficult to verify whether certain items have been processed. This has taken up management time and has resulted in financial position statements being unreliable across all businesses. Again the hope and expectation is that this will resolve itself as SAP beds in. In addition, due to some of the finance tasks relocating to the HUB, the efficiency and effectiveness regarding debtor collection and monitoring by this Department is perceived to have reduced. To date limited progress with the debts (older debts) passed to the HUB recoveries officers has been made, due to the HUB’s current heavy workload.

In terms of general efficiency, the lack of knowledge at the HUB of how each Department works and what they do has resulted in a number of invoices, electronically appearing in staff worklists which are actually for other departments and in some cases non-PSD customers appearing on PSD debtor reports. This does not seem to be diminishing at this point, six months into the new system. There is however no doubt in anyone’s mind that the staff involved in the States accounting functions have been working incredibly hard in an effort to ensure the new system beds in. This has stretched the organisation and led to staff working overtime to cope.

States Works has seen a marked deterioration in the speed at which invoices to other Departments are processed. It is understood that many have been accumulated at the HUB (although *some* of them had no purchase order number due to Departments experiencing procurement problems), to the extent that workarounds have been explored. SWD’s bank balance has been significantly affected. As part of the States fold we are not unduly concerned about this but it does give an insight into the financial challenges that this bedding-in period may be causing external suppliers.

Procurement – reduction in efficiency

SAP has not been fully implemented in terms of the end-to-end procurement process. Identifying specifically whether efficiency has increased, stayed the same or decreased would require a focused review (post full implementation) and consideration against other factors such as changes in staff levels and staff knowledge within the area.

HR management of staff

Due to the industrial nature of much of the PSD's workload, a large number of our employees continue to use the manual HR processes for leave, overtime and expenses that existed prior to SAP due to access issues and the difficulties associated with non-standard working weeks. Administration teams input this into SAP. Office based staff input directly into SAP. In terms of efficiency post new SAP, it has broadly remained the same as pre new SAP.

HR recruitment of staff – reduction in efficiency

Recruitment now takes approximately twice as long and in practice appears to be more fragmented.

Question 2

Would you also explain the methodology used to measure any such change in efficiency?

Answer

There has not been much quantifiable methodology used in measuring efficiency changes. However, teams within PSD are small enough so that changes in workload and efficiency are relatively easily felt.

Across our businesses, administrative staff have spent many hours tracking payments that previously were not required. A number of staff have also assisted at the HUB to help clear some of the backlog, taking them away from duties within their ordinary jobs where they are already stretched, but willing nonetheless to help in order to resolve the current difficulties.

There are also many other areas of work where tasks previously undertaken by teams, particularly in respect of procurement, are being put on hold due to time being invested in full SAP implementation.

Question 3

As a result of non-payment or late payment of invoices have any suppliers:

- *Refused to supply, or*
- *threatened to refuse to supply, or*
- *delayed the supply of goods or services?*
- *If so how many suppliers?*

Answer

Vendor queries and any complaints generally now go directly to the HUB as most received letters last year advising them to change addresses to Frossard House. However, we are aware that a number of suppliers have come very close to refusing to supply services.

We have also received a number of complaints from quite large suppliers to small concerns supplying things like newspapers. It is however fair to say that the majority of suppliers appear to be content with the new arrangements and are continuing to be paid.

In addition, regarding invoicing, estates has experienced conflicting information with a client whereby notification was received the client had been invoiced however the client informed he had not received an invoice. This resulted in the need to quality check the contracts in SAP and the links to the business partners.

In dealing with suppliers, a number of those have stated that they have threatened to withdraw services or goods to other Departments. There have also been occasions where a small number of companies using PSD waste sites were temporarily refused access as their credit limits had been reached. Reportedly, this was due to either delays in payments they had made, being credited to their account or them awaiting payment from the States and being unable to pay until they themselves are paid.

Question 4

Have at any time since January 2013 any suppliers of goods and services to your department withdrawn credit facilities from the States of Guernsey so goods or services have to be bought on a "cash only" basis? If so, how many suppliers?

Answer

We are aware of four suppliers that have withdrawn facilities – these have now been resolved, but necessitated working around the States payment systems. However, there have been hold ups in the delivery for certain products such as ink toners, reportedly due to account settlement delays.

Closing Comment

I am pleased to advise that the consensus among senior management is that the principle of upgrading SAP was the right decision. It offers the potential to support more modern and efficient ways of working and provide important business management information. There remains the real expectation that improvements and efficiencies will emerge with the passing of time, as staff across the States become familiar with the system and the initial teething problems are resolved.

Date of Receipt of the Question: 06 June 2013

Date of Reply: 18 June 2013