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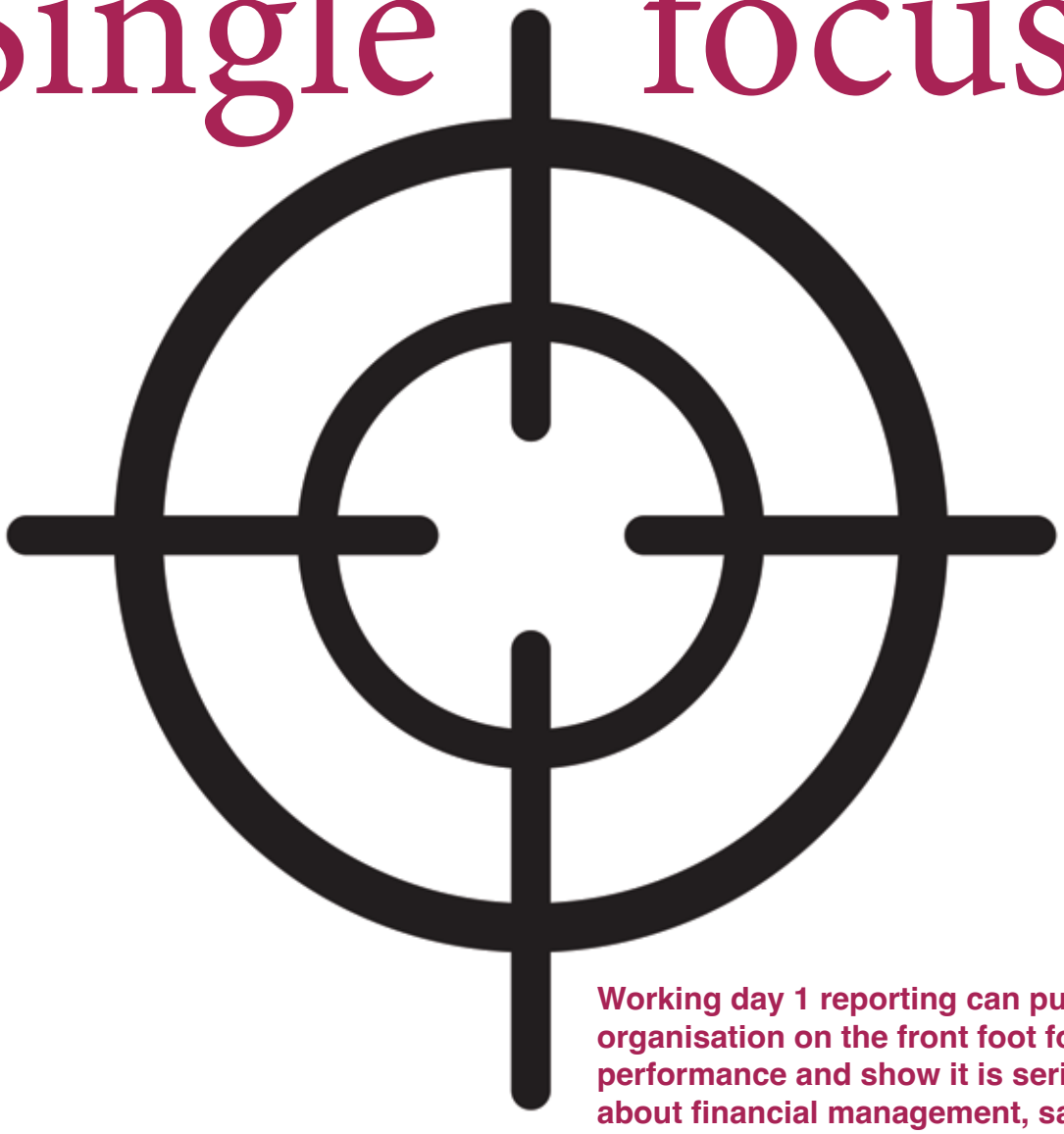

Working day 1 reporting can put an organisation on the front foot for performance and show it is serious about financial management, say its proponents. Steve Brown reports

It is pretty safe to say that Simon Worthington is a fan of working day 1 financial reporting. He was responsible for the introduction of such early reporting in the NHS almost 20 years ago, in a small primary care trust, and has more recently overseen its introduction in Bolton NHS Foundation Trust and in his current organisation, Leeds Teaching Hospitals NHS Trust. His case is simple. If you can report on day 1, why would you want to wait longer?

'What is the function of a budget report?' says the Leeds finance director. 'It is not to be a forensically accurate bank statement, down to the last penny. It is there to highlight if there are any material issues that management needs to take action on. And in that context, it is better to get it out quickly.'

There are other high-level benefits. With working day 1 reporting, everyone knows exactly when budget reports are issued and this helps to create a rhythm about the financial management cycle. And it sends a message that financial management – which has a key role to play in the delivery of good patient care – is taken seriously.

Mr Worthington says organisations must want to do it – not have it imposed on them. And teams need to be given the right environment to work out what is required to deliver it. The result is an organisation on the front foot in terms of its financial position, and a finance team that is more confident and able to start working earlier with operational teams to influence service and financial performance.

The practice is not widespread in the NHS, although it is believed that NHS England and NHS Improvement would be keen to see wider adoption as part of moves to faster reporting in general. Just over 10

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organisations across the English NHS currently report on working day 1, with most trusts – more than 70% of the total – reporting between working day 5 and working day 8. However, there are still examples of trusts taking 10 days or more to get financial reports out to executive teams and budget holders.

Jenny Ehrhardt (pictured below), group chief finance officer for Manchester University NHS Foundation Trust, previously served as deputy director of finance at Leeds and was involved with Leeds' working day 1 introduction back in 2017. She makes no bones about the fact that she took her inspiration for earlier reporting from the Leeds model, bringing in key people from the Leeds team to brief staff before going live in April 2020.

While the finance team also spoke to colleagues in Bolton, Leeds' experience was particularly relevant because of its comparable scale. The £2.4bn turnover trust with its headquarters in Manchester runs 10 separate hospitals and employs more than 28,000 staff, together providing hospital care to more than one million patients a year. It is also the single biggest provider of specialised services in England.

Ms Ehrhardt says that communication was vital. 'I started by talking to the chief executives of our hospitals, because they are our finance customers. And I knew that it was important for the non-finance community to see this as a positive.'

She admits that hospital finance directors were taken aback initially by the prospect of implementing the approach – mirroring her own immediate response back in Leeds. Concerns ranged from whether the timescales were achievable to availability of data and the accuracy of using estimates.

'But any accountant, whatever timeline they are working to, is doing estimates,' says Ms Ehrhardt. 'Whether they close on day 1 or day 21, there will be estimates in there. So actually, what we are asking people to do is still to make estimates, but just before the month-end.

'Actually, how much difference does it really make if you do it two days before the month-end or two days after? It is about the quality of the evidence you've got and the knowledge of the service.'

Accuracy concerns

Mr Worthington completely rejects concerns about accuracy. 'I think it is a non-argument. The accuracy objection only exists in people's minds. Since we introduced it at Leeds, I can't remember a single time, across all our board and clinical service unit reports, when we got something wrong due to working day 1. It has just not been an issue.'

Ms Ehrhardt adds that the move to earlier reporting is partially about finance managers building confidence.

Kevin Nederpel, deputy director of finance at Portsmouth Hospitals University NHS Trust – the latest trust to join the working day 1 fold – agrees. He says the biggest hurdle to overcome in their 2021 implementation was not technical, but a change of culture. 'The aim was to get things approximately right, rather than precisely wrong,' he says. 'Accountants want to get the perfect accrual, but close enough is good enough for day 1. It is a cultural shift we needed.'

Once accountants realise they are being trusted to provide their judgement in some area, he says the process can be quite empowering.

Exploding myths

All those who have implemented working day 1 reporting are keen to explode some myths. First and foremost, it does not mean doing seven days' work in a single 24 hours. In fact, it is not about producing reports faster. Instead, it involves shifting activities to the left on the timeline.

Before it moved to working day 1 reporting at the beginning of May 2021, Portsmouth reported on working day 7. Finance director Mark Orchard says: 'Within that, we spent about five days processing information and a couple of days deliberating on judgements that don't have a perfect answer.

'We've reworked some of the processes, and they've definitely got sharper, but by and large they still take four to five days – just shunted left in the timeline. But the biggest change is with validation, where we force ourselves through a very disciplined, structured process.'

Day 1 is now run with military precision, with all judgements made by the middle of the afternoon so that reports go out to budget holders at 5pm.

"I can't remember a single time, across all our board and clinical service unit reports, when we got something wrong due to working day 1"
Simon Worthington (above)

However, the process inevitably does rely on an element of estimates on both income and expenditure items, including high-spend areas such as drugs. Drugs is one of the key areas that all trusts highlight as a key area of focus. And finance teams are best placed to work out how to make those estimates. Portsmouth, for example, now processes its drugs spend for the month four days before the month-end – on working day -4. However, the trust is not cutting off expenditure at that point. It uses estimates for the missing days and is getting better and better at these estimates.

As a major tertiary provider, the Manchester trust uses a lot of high-cost drugs, so getting the numbers right on pharmacy costs was one of its main issues. 'The easy ones are those that are always a pass-through drug. So the flag in the pharmacy system identifies it as a pass-through drug,' says Ms Ehrhardt. 'Because the income and expenditure matches off for pass-through drugs at month-end, and the detailed reconciliation with commissioners comes much later, it isn't necessary to get perfection within the year. The much trickier ones are where it's a pass-through drug for condition A, but not for condition B and you only know once you link it to the patient.'

A further complication for Manchester was effectively having three pharmacy systems in place when it went live – a result of earlier mergers. The solution has been to use a three-month rolling average for drug costs, rather than trying to put actuals in.

'We've done this because of the complexity of our pharmacy systems and it is an area that we keep looking at,' says Ms Ehrhardt. 'Currently

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we don't think we have a better way of doing this, but we have a new electronic patient record and electronic medicines management system going live in September – so this will all get reviewed again.'

She says any variation between estimates and final actuals would get picked up in the following month's reporting. And material errors would be known about before operational managers submit their year-end forecasts, which are the basis for the trust's financial accountability framework.

However, she stresses the importance of accuracy in feeder systems. 'This can avoid, for example, the management accounts team spending time re-coding people from payroll,' she says. In fact, she believes that working day 1 has driven data quality improvements in feeder systems.

In all the trusts spoken to, accuracy simply has not been an issue. 'We thought we'd probably be working with about 80%-90% accuracy of our transactions,' says Portsmouth's assistant director of finance Steve Smith. 'In reality, we are much more accurate than that and I think we are 99% of where we were at before working day 1.

'People were really worried at the beginning – it was challenging their own predetermined view about what was necessary to deliver a financial position. But they moved very quickly round once they had tested it for themselves on their own terms.'

Outsourcing issues

Portsmouth has also demonstrated that outsourcing financial services and payroll is not an obstacle to day 1 reporting – another often quoted objection. The trust contracts for these services with NHS Shared Business Services.

For example, pay will form the main chunk of most services' expenditure. 'The main part of the payroll, we can't really estimate,' says Mr Smith. 'That is where the bulk of staff get paid. We have to have that as a hard piece of information and that flows in – it varies a little from month to month as to when we get the information and that puts a little tension into the system, but it is not an estimate.'

Learning points

A detailed timetable is key to successful delivery of working day 1 reporting, according to a case study of the Leeds implementation featured as part of the One NHS Finance innovations programme. The timetable should set out what needs to be done on each day up to month end close down and day 1 and this will need to be reviewed many times and become a live document.

The timetable also needs to be sensitive to holiday periods, recognising that day 1 will move back at Christmas and at the financial year-end.

Another learning point was the importance of keeping people informed – it is better to over-communicate to avoid confusion. Also, listening to budget managers can highlight information that doesn't add value and processes that can be streamlined.

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Some estimates can be needed for weekly pay, for instance when there is a five-week month. But if there is any difference between the estimate and the actual, it is marginal compared with the overall paybill. This is also the case for supplemental pay, where people have missed the payroll run. The point being that the costs are not ignored, but estimated.

'We've been with SBS for 15 years and everything is provided based on the specification,' Mr Smith says. 'It can submit the payroll file up to the 28th of each month. If it provided information to us as late as it could, it would test our ability to do any final adjustments or controls around the process. But, in reality, the system works better than that and typically, they work within their specification.'

He adds: 'Because of the outsourced ledger, we can have a rush of transactions right at the death. But we don't leave it to chance. We run reports in the days leading up to day -1, so we are watching it all the time.' This can create risks if the team has posted creditors for things they didn't expect to be paid, but subsequently do get paid. However, there is a small window to do journals on working day 1.

Mr Smith says the experience of implementing working day 1 reporting contradicted his expectations. 'In reality, my preconceptions of what's involved and how complicated it was were shattered,' he says. 'You start thinking this is going to be hard and we are going to have to batter away at it, but it wasn't really like that.'

While he suggests the trust's finance team are still 'rookies' on day 1 reporting, it has gone through 11 months of a cycle.

'We've had challenges, but that doesn't detract from it being the right thing to do,' says Mr Smith. 'And it's taken us to a different place. It has invigorated the way the department functions, presented us with a fresh challenge and undoubtedly improved our understanding of what we do.'

Mr Orchard says the benefits are clear. 'I'm reporting to the trust leadership team a whole week earlier than I was before,' he says. 'I can be having conversations as early as 8.30am on day 2. That insight has put us on the front foot and given us the ability to take actions, where they are needed, that much earlier.'

Ahead of schedule

Ms Ehrhardt agrees, adding that discussion with executives and non-executives seems much more current. Even compared with organisations that are reporting around day 7, she suggests that she can typically be a week ahead in terms of insight.

She adds that, if others also move to working day 1 reporting, this could really help at the system level, enabling systems to quickly get to grips with emerging issues relating to revenue and capital envelopes.

The Leeds trust has reported surpluses for the past four years and was rated outstanding in its use of resources assessment by the Care Quality Commission in 2019.

While Mr Worthington does not credit working day 1 as the single reason for these successes, he is clear that earlier reporting is key to its wider financial improvement plan, *Finance: the Leeds way.*

He agrees with Ms Ehrhardt that there would be benefits nationally and at system level to wider reporting at day 1. But he believes the organisational mindset benefits and the ability to get an earlier start on course correction when needed are far bigger incentives. His challenge to other finance teams is simple: 'What are you waiting for?'