

THE ‘YEAR ZERO’ REPORTING APPROACH

A data reporting approach to better understand the financial impact of funding and investment programmes on community businesses (and other trading organisations)

Illustrated with case studies on the Trade Up and CBF programmes

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1.

INTRODUCTION



When MyCake and Renaisi were commissioned by Power to Change to evaluate the financial impact of the Community Business Fund (CBF), Bright Ideas (BI) and Trade Up (TU) programmes on community businesses, they faced certain challenges. Amongst others, **how can the financial impact** of a single grant programme **be isolated** amongst all activities undertaken over a multi-year period by numerous community businesses?

In response to such challenges, MyCake and Renaisi developed a **data reporting approach** to better **understand the financial impact** of funding and investment programmes on community businesses (and other trading organisations) – and called this the 'Year Zero reporting approach'. This approach can allow funders and evaluators to clearly see the different trajectories in growth that community businesses experience before and after receiving funding. In particular, it creates a common starting point for funding programmes which run over multiple years and have multiple intake points; whereas reporting by calendar or financial year would aggregate data in ways which would mask progress post-funding.

This paper explains what the Year Zero reporting approach is and why it is beneficial, and gives practical examples of its applications on the CBF and Trade Up programmes. It also provides guidance to funders and evaluators to decide whether this approach would be appropriate for other funding programmes going forward.



2.

WHAT IS A 'YEAR ZERO REPORTING APPROACH' AND WHY IS IT USEFUL?



2.1 Definition and rationale

To date, individual **financial years** have been used as the **main time** unit for financial reporting on Power to Change programmes. For example, the median turnover of grantees on the CBF programme is calculated for each calendar year, from 2016 to 2020.

The challenge of reporting data by financial year is that different organisations **start and finish** their grant-funded activities **at different points** along the timeline. For example, there were eight CBF cohorts starting at different points in this five-year period, with each grantee being an active participant in the grant programme for one to three years.

It may be possible to assess the impact of Power to Change grant funding on an individual grantee (using one set of financial data over a five-year period) by looking at their individual financial data; however, it is **not possible to understand the overall impact** of the funding across a cohort of grantees, as aggregating disparate set of start dates would distort the findings.

Applying a **Year Zero** transformation to the data provides clarity by creating a **common starting point** in the data. It constitutes a universal starting point from which the financial impact of the programme can be understood. It then becomes possible to look for trends in the data which might be attributed to the grant funds.

There are similarities between the Year Zero approach and the analysis of resilience in the Futurebuilders programme undertaken by Social Investment Business.

2.2 Example #1

Bright Ideas, Trade Up and CBF are grant funding programmes backed by Power to Change over several years. This means there are **multiple intakes into the programme, each with different start and end dates**. Bright Ideas and Trade Up each run for twelve months per cohort; CBF participants have a longer period of interaction because capital purchases of land and buildings are often involved. Each of these programmes contains up to eight separate start dates. The Gantt chart in Figure 1 shows the starting points for each programme cohort.

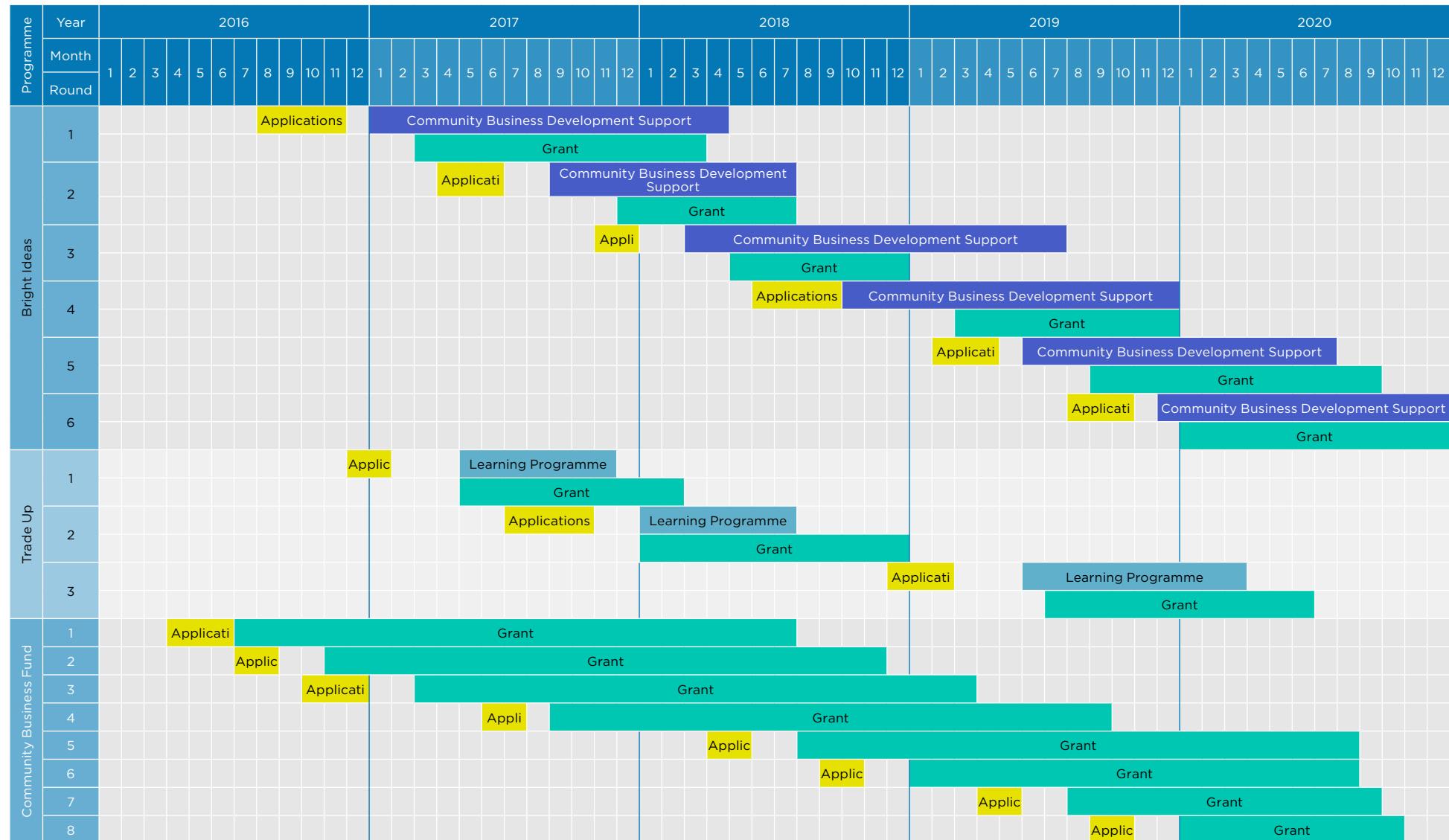
"THE CHALLENGE OF REPORTING DATA BY FINANCIAL YEAR IS THAT DIFFERENT ORGANISATIONS START AND FINISH THEIR GRANT-FUNDED ACTIVITIES AT DIFFERENT POINTS ALONG THE TIMELINE."



The 'Year Zero' Reporting Approach

2. What is a 'Year Zero reporting approach' and why is it useful?

Figure 1: BI, TU, and CBF timeline funding by cohort; the first 6 cohorts are BI, then 3 cohorts of TU, then 8 cohorts of CBF¹



1 See further information about funded community businesses here: "[Power to Change - Characteristics of Community Businesses - Grantees and Applicants](#)"

The staggered timelines above mean that **identifying trends in the financial data can be challenging**. The purpose of the Year Zero analysis is to understand the impact of grant funding on community businesses at cohort level; without a Year Zero approach, understanding the financial impact of Bright Ideas, Trade Up and CBF would then require: (i) analysing financial data separately for each cohort, and identifying patterns per cohort; or (ii) aggregating financial data across cohorts, in order to segment the data against a particular variable. The large volume of data, however, means that both analyses cannot be conducted at once, while also reporting by financial year.

2.3 Example #2

In the Table below, the ‘constant cohorts’² include both organisations which received grant funding in their 2016 financial year (thus showing data from Year 0 to Year +3) as well as organisations who received grant funding in their 2019 financial year (thus showing data from Year -3 to Year 0). **Without a Year Zero approach, medians for key metrics would get calculated across multiple cohorts; meaning that the gains in one cohort may be counter-balanced by losses in another one, resulting in no overall change in the median.**

In addition, if data is aggregated for each financial year of grant funding, **it would not be possible to differentiate financial growth enabled by Power to Change’s investment from financial growth that would have occurred anyway**. In other words, the only conclusion that can be drawn from Table 1 below is that the turnover and assets increased over the time period covered by the grants programme.

Table 1: Financial years of data for multiple programme cohorts

Constant cohorts	Median of Total Revenue Income				Median of Fixed Asset Value			
	2016	2017	2018	2019	2016	2017	2018	2019
BI	£69,257	£78,386	£90,189	£111,263	£44,224	£38,443	£24,486	£36,027
CBF	£309,483	£325,413	£450,147	£479,457	£150,791	£190,998	£284,628	£341,721
TU	£112,008	£133,722	£126,664	£146,009	£14,388	£12,768	£15,656	£17,947

2 A constant cohort is a set of organisations for which data is available across all the years being analysed, with no gaps and no missing data.

The 'Year Zero' Reporting Approach

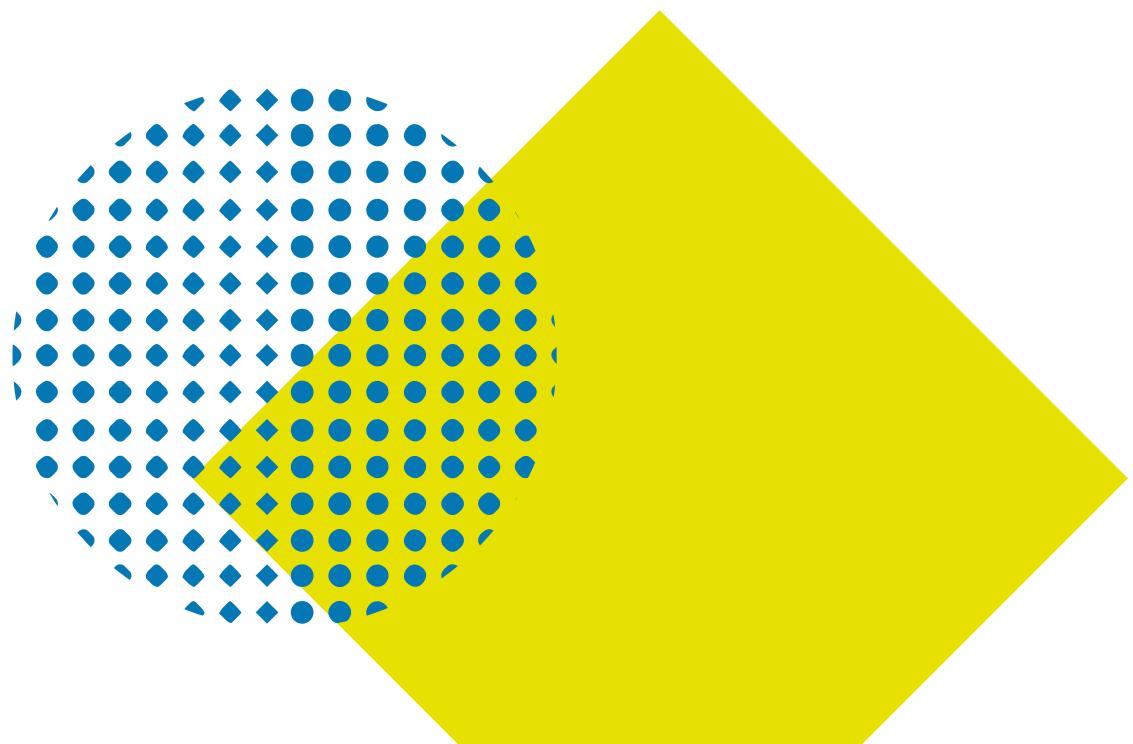
In light of those challenges, the **Year Zero reporting approach** in Table 2 offers a **useful alternative**. It creates a unified start point for the intervention (Year 0) and relates all change in a metric to this zero line. This Year Zero is defined as the starting point of a grant funding programme, from which changes in key financial metrics can be measured. Identifying patterns in the financial data thus becomes easier.

The 'Year Zero approach' also creates a more focused set of data by removing a piece of heterogeneity (i.e., the calendar start date). While the Year Zero approach cannot establish causality of impact, it does **increase the potential to attribute change** in key metric to intervention of a funder.

The 'Year Zero approach' also allows to **apply a segmentation to the data**. It also becomes possible to split the data by activity, turnover band or IMD decile without creating overly small cohorts that make results unreliable. Having the possibility to segment the data is especially valuable when there is a high degree of heterogeneity amongst grantees on the programme. Bright Ideas, Trade Up and CBF grantees for instance, are quite heterogeneous - both in terms of their revenue and their sectors of activity.

Table 2: Year Zero reporting for three PtC grant programmes

Median of constant cohorts	Total Revenue Income		Fixed Asset Value	
	Year (0)	Year (+1)	Year (0)	Year (+1)
BI (n=40)	£68,237	£106,852	£27,401	£33,127
CBF (n=68)	£359,501	£359,972	£263,124	£414,466
TU (n=57)	£115,079	£134,218	£15,876	£26,810



3.

WHICH YEAR IS THE 'YEAR ZERO'?

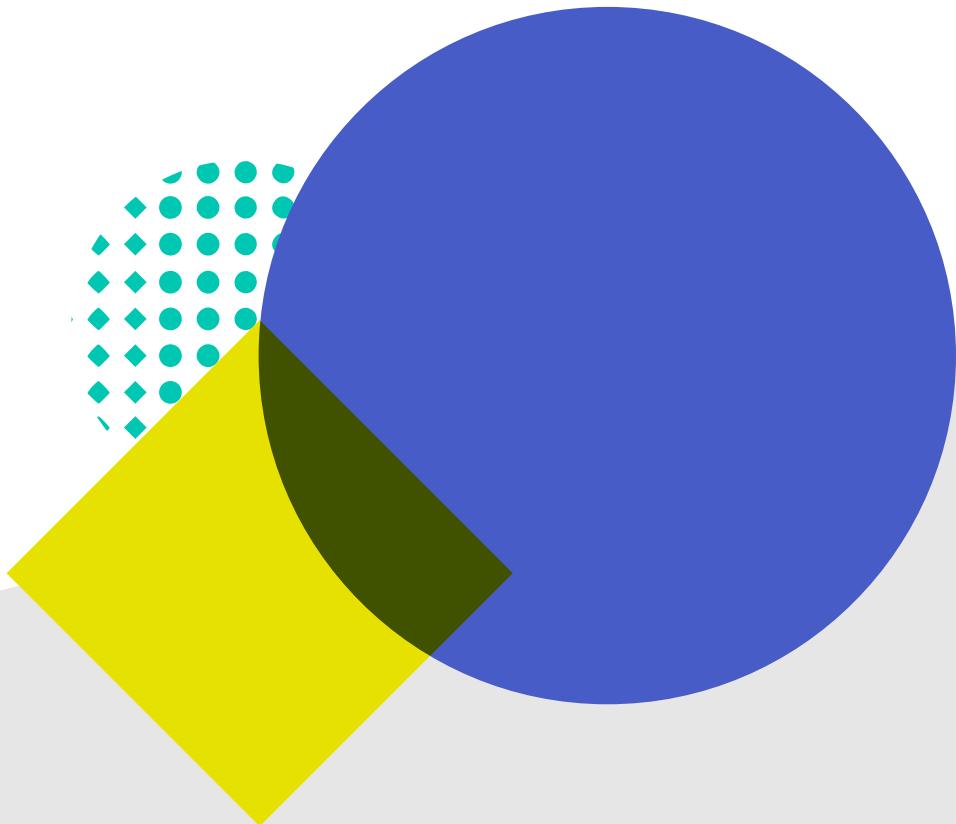


Different milestones could be used as the 'Year Zero' in any given programme, and evaluators should select the most relevant one and provide a clear definition for it.

For example, in the case of the three Power to Change-funded programmes, the Year Zero was calculated by matching the **grant award date** (for Bright Ideas and Trade Up) or the **date of first disbursement** of funds (for CBF) to the **financial year** in which it was received for each organisation in the cohort. In other words:

- If organisation A received £50,000 on the 1st of May 2018 and their financial year ran from April 2018 to March 2019, then this grant would appear in their 2019 financial accounts. This set 2019 as Year Zero.
- If organisation B received £20,000 on the 1st of June 2018 and their financial year ran from January to December, then their Year Zero would be 2018.

This means that for organisation A, the 2018 accounts are Year (-1) and their 2020 accounts are Year (+1).



4.

CASE STUDIES: THE YEAR ZERO APPROACH APPLIED TO TRADE UP AND CBF

The Year Zero approach has given Power to Change, MyCake and Renaisi a clearer view of how to use the key financial metrics across each of three cohorts of grantees (Bright Ideas, Trade Up and CBF). The case studies below illustrate how Total Revenue Income (TRI) can be used to produce some initial insights, then complemented by other metrics such as Total Fixed Assets and Earned Income Ratio.

4.1 Definitions and assumption

To evaluate the financial impact that Power to Change's funding had on grantees, it is important to understand community businesses' **financial situation prior to receiving funding** from Trade Up or CBF (i.e., if community businesses were experiencing growth before receiving Power to Change funding, or a decrease in total revenue income / 'negative growth').

In the two case studies that follow, community businesses' growth was assessed by comparing trends at baseline and at endline. In other words, did grantees go from negative to positive growth after receiving Power to Change funding? Or did they continue with a negative or positive growth trend before and after the funding?

Using grantees' Total Revenue Income (TRI) in Y(-1), Y(0), and Y(+1), the following definitions were used:

- Baseline growth is the difference between Y(0) and Y(-1).
- Endline growth is the difference between Y(+1) and Y(0).

Therefore, baseline ratio is $[Y(0) - Y(-1)] / Y(-1)$ and endline ratio is $[Y(+1) - Y(0)] / Y(0)$.

One key **assumption** underpinning this analysis is that community businesses would have **continued on their existing trend** had they not received Power to Change funding (i.e., in the absence of Power to Change's interventions, community businesses would have maintained their baseline rate of growth – whether positive or negative).

Following this definition, community businesses were **grouped based on their different growth trajectory** between baseline and endline. There are four groups as follows:

Table 3: Community business segmentation definitions based on growth trajectory

#	Groups based on growth trajectory	Definition	
1	Baseline (+), Endline (+)	Positive growth from Y(-1) to Y(0), and positive growth from Y(-1) and Y(0)	 
2	Baseline (-), Endline (+)	Negative growth from Y(-1) to Y(0), and positive growth from Y(-1) and Y(0)	 
3	Baseline (-), Endline (-)	Negative growth from Y(-1) to Y(0), and negative growth from Y(-1) and Y(0)	 
4	Baseline (+), Endline (-)	Positive growth from Y(-1) to Y(0), and negative growth from Y(-1) and Y(0)	 

4.2 Trade Up insight

The Year Zero approach applied to Trade Up grantees shows that:

- About half of Trade Up community businesses in the present dataset³ were experiencing positive growth before receiving Power to Change funding and continued that way afterwards.
- About a third were experiencing negative growth, yet shifted to experiencing positive growth after receiving funding.
- About a fifth were experiencing positive growth, and shifted to experiencing negative growth after receiving funding. This is illustrated in Table 4 below.

Table 4: Trade Up total revenue income median by growth trajectory at baseline versus endline

#	TU Total Revenue Income Median	Count	Y(-1)	Y(0)	Y(+1)	Baseline Ratio	Endline Ratio
1	Baseline (+), Endline (+)	27	£77,141	£102,762	£134,218	33%	31%
2	Baseline (-), Endline (+)	17	£140,968	£129,763	£148,868	-8%	15%
3	Baseline (-), Endline (-)	3	£308,002	£102,217	£76,947	-67%	-25%
4	Baseline (+), Endline (-)	10	£82,556	£136,415	£102,049	65%	-25%

3

The present dataset is the constant cohort for each programme; see definition on page 4.

In further details, the data can be interpreted as follows:

- The TRI of the **first group** (n=27) **had a steady increase before and after** receiving a Trade Up grant (from 33% growth at baseline to 31% at endline). Despite the consistent growth, the impact of Trade Up is not entirely evident in this case. While some impact may have been achieved, the difference between baseline and endline is not as compelling as for community businesses in group #2. Other financial metrics can provide further clarity:
 - The TRI growth was coupled with a **drop in total fixed assets** for this group by 10%, from a £17,214 median in Y(0) to a £15,652 median in Y(+1).
 - **Earned income increased** from a 74% median in Y(0) to a 85% median in Y(+1).
- Community businesses from the **second group** experienced a positive impact shown by **endline growth larger** than the corresponding **baseline growth**. The TRI of the second group (n=17) decreased by 8% before receiving a Trade Up grant and increased by 15% after receiving a Trade Up grant. This indicates that Power to Change funding may have successfully supported those 17 businesses to increase their growth. Other financial metrics show that:
 - In addition to the growth in TRI, **total fixed assets value grew** by 55% from a £15,656 median in Y(0) to a £24,242 median of Y(+1). This is considering that the baseline total fixed asset ratio was -3% (i.e., there had been a slight decrease in total fixed asset from Y(-1) to Y(0)).
 - **Earned income increased** by 5% (from 60% to 65%).

- The **third group** is too small to allow for meaningful conclusions.
- Finally, the TRI of the **fourth group** (n=10) **increased by 65% before** receiving a Trade Up grant and **decreased by 25% after** receiving a Trade Up grant. In this case, the initial estimated impact is negative. However, other financial metrics can reveal more about this group's journey with Power to Change:
 - Despite this decrease in TRI, **fixed assets values increased** by 81%, from a £20,812 median in Y(0) to a £37,759 median of Y(+1).
 - **Earned income increased** from a 57% median in Y(0) to a 68% median in Y(+1).

Note that for the fourth group, the 81% growth in fixed assets and an increase in earned income ratio by 11% are larger than the corresponding ratios of the second group (55% and 5% respectively)⁴. This could potentially indicate that community businesses may not experience growth in all financial metrics at the same time; and this could depend on the financial strategy they adopt at a given time.

Note that these results do not take into account what would have happened in the absence of Trade Up grants.

Figures 2 and 3 help visualise the impact of Trade Up using the Year Zero approach:

The 'Year Zero' Reporting Approach

Figure 2: Trade Up total revenue income median by growth trajectory at baseline versus endline

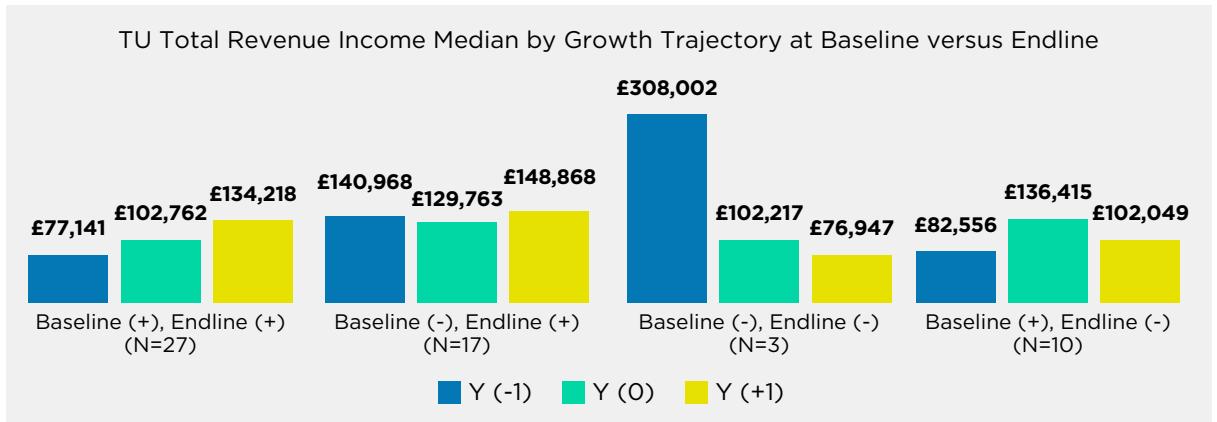
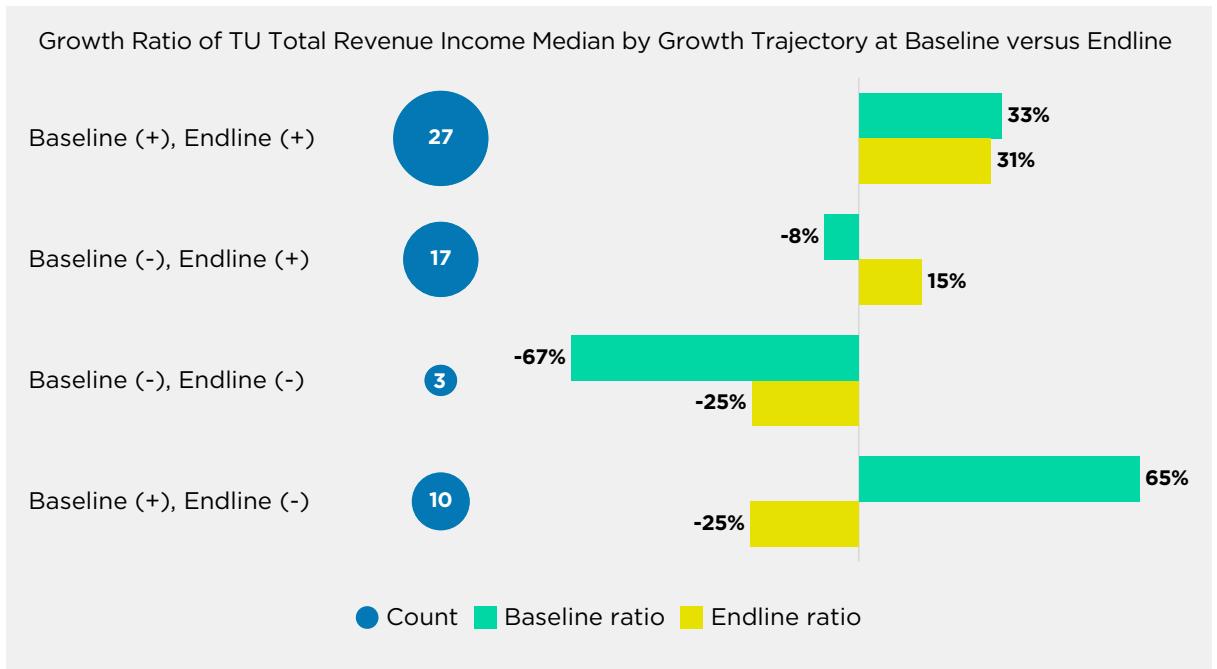


Figure 3: Growth ratio of TU median revenue income by growth trajectory at baseline versus endline



4.3 CBF insight

The Year Zero approach applied to CBF grantees shows that:

- About 40% of CBF community businesses in the present dataset⁵ were experiencing positive growth before receiving Power to Change funding and continued that way afterwards.
- About a quarter were experiencing negative growth, yet shifted to experiencing positive growth after receiving funding.

- About a quarter were experiencing positive growth, and shifted to experiencing negative growth after receiving funding.
- Nine others were experiencing negative growth and continued that way after receiving Power to Change funding.

This is illustrated in Table 5 below.

Table 5: Community business fund total revenue income median by growth trajectory at baseline versus endline

#	CBF Total Revenue Income Median	Count	Y(-1)	Y(0)	Y(+1)	Baseline Ratio	Endline Ratio
1	Baseline (+), Endline (+)	27	£318,991	£426,894	£649,732	34%	52%
2	Baseline (-), Endline (+)	16	£380,970	£221,399	£306,643	-42%	39%
3	Baseline (-), Endline (-)	9	£553,233	£354,099	£230,124	-36%	-35%
4	Baseline (+), Endline (-)	16	£306,591	£400,294	£318,984	31%	-20%

In further details, the data can be interpreted as follows:

- Community businesses from the **first group** (n=27) experienced a positive impact shown by **endline growth larger than the corresponding baseline growth**. Their TRI increased by 34% before receiving a CBF grant and increased by 52% after receiving a CBF grant. In this case, Power to Change funding may have supported businesses to increase their growth. Other metrics also show that:
 - Their **fixed assets value increased** by 68% - from a £251,249 median in Y(0) to a £421,608 median in Y(+1).
 - In contrast, **earned income ratio dropped** by 14% - from a 73% median in Y(0) to a 60% median in Y(+1).

- Community businesses from the **second group** (n=16) experienced a similar trajectory, with **endline growth larger than the corresponding baseline growth**. Their TRI, however, decreased by 42% before receiving a CBF grant, and increased by 39% after receiving a CBF grant. In this case too, Power to Change funding may have supported businesses to increase their growth. Other metrics also show that:
 - Their **fixed assets value increased** by 94% - from a £95,505 median in Y(0) to a £184,942 in Y(+1).
- The TRI of the **third group** (n=9) had an almost **steady decrease** (from 36% growth at baseline to 35% at endline) **before and after** receiving CBF grants. The impact of CBF is not entirely evident in this case by looking at the TRI.

- An analysis of **fixed assets** shows a 9% **drop**, from a £495,771 median in Y(0) to a £451,261 median in Y(+1).
- However, there was also a **growth in earned income** by 16%, from a 55% median in Y(0) to a 71% median in Y(+1).
- The TRI of the **fourth group** (n=16) increased by 31% before receiving a CBF grant and **decreased by 20% after** receiving a CBF grant. In this case, the initial estimated impact seems negative. Further analysis shows that:
 - Despite this decrease in TRI growth rate, **fixed assets value increased** by 134%, from a £199,875 median in Y(0) to a £468,319 median in Y(+1).
 - **Earned income increased** from 70% median of Y(0) to 82% median of Y(+1).

Applying a Year Zero analysis, comparing baseline and endline TRI, provided some insights on community businesses' financial growth trajectories. Other financial metrics could then be applied to get a more complete picture of impact. For instance, impact on the fourth group initially appeared to be negative (using TRI data), yet further metrics showed the opposite (fixed assets growth and increase of earned income ratio were some of the highest of all groups). This demonstrates the importance of analysing a range of key financial metrics and not solely relying on a single one to track or explain change.

Note that these results do not take into account what would have happened in the absence of CBF grants. Figures 4 and 5 below show the impact of CBF using the Year Zero approach.

Figure 4: Community Business Fund total revenue income median by growth trajectory at baseline versus endline

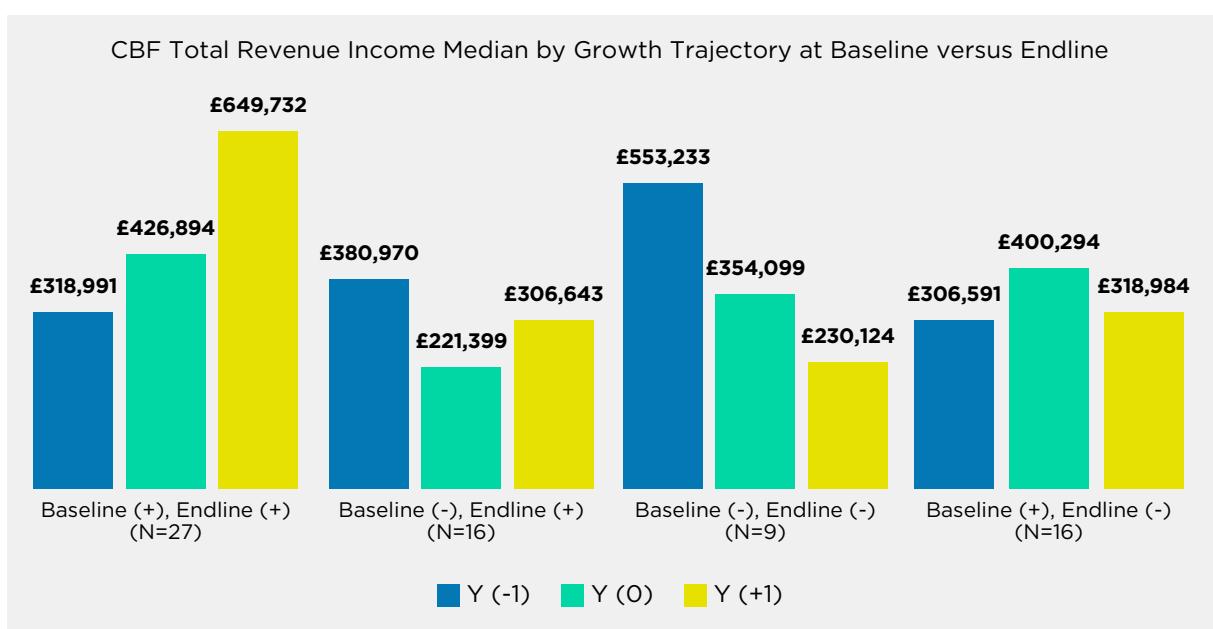
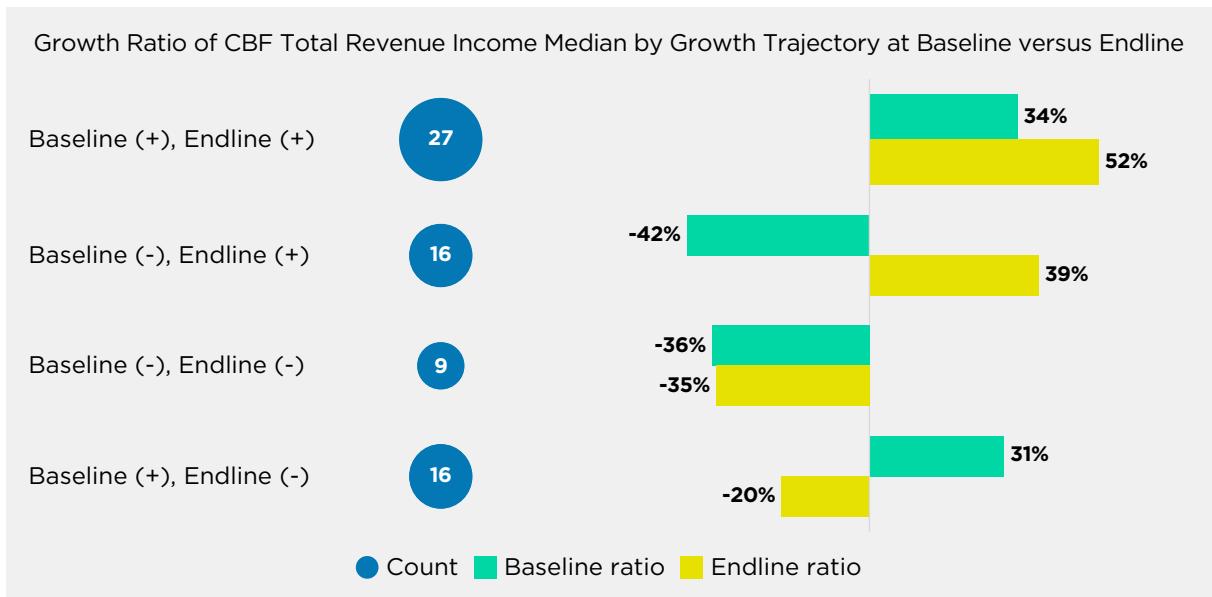


Figure 5: Growth ratio of Community Business Fund total revenue income median by growth trajectory at baseline versus endline



5.

CONCLUSION ON THE BENEFITS OF THE YEAR ZERO APPROACH

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As illustrated in the case studies above, the Year Zero reporting approach offers several benefits when evaluating the financial impact of a funding programme:

- It **illustrates grantees' trajectories before and after** receiving funding while also accounting for the complexity and non-linearity of grantees' financial growth journey.
- It **reveals insights** that would not be visible using aggregated figures (such as median of income for all grantees in the cohort). It is also an important reminder of the complexity of such financial analysis and shows that generalising findings across grantees is not straightforward.
- It enables **further segmentation of the data**, which helps analyse and compare the trajectories of different groups of grantees.
- It allows for **analysis across multiple metrics** when impact does not seem evident from one metric. Financial journeys can be understood more rigorously when several metrics are interpreted conjunctly (e.g., comparing revenue and asset growth trends).

It should also be noted that there is a substantial lag involved in using this approach, because it **requires multiple years of data** to be available after the funding was received. The annual accounts data as reported to the Charity Commission or Companies House were used for the present analysis; and this too affects the lag time between funded activities and data available for analysis. This could be shortened somewhat if grantees reported earlier to the funder than they do to Charity Commission or Companies House. Management accounts could suffice for the purpose of analysis, and they could be available earlier than certified accounts.

"THE YEAR ZERO REPORTING APPROACH OFFERS SEVERAL BENEFITS WHEN EVALUATING THE FINANCIAL IMPACT OF A FUNDING PROGRAMME."



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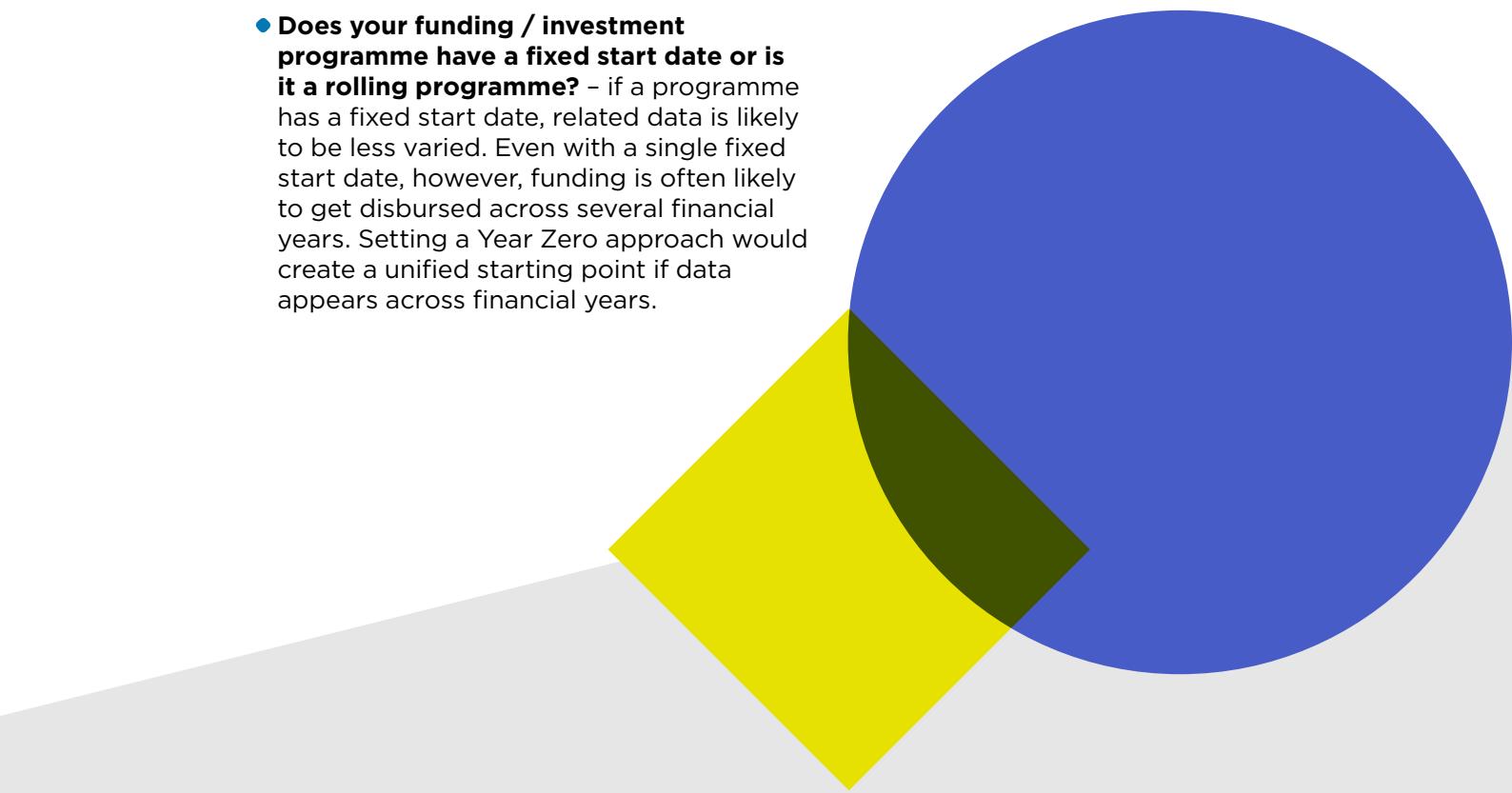
WHEN DOES A YEAR ZERO APPROACH ADD VALUE?

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There are a number of elements to consider when weighing up whether a Year Zero approach is likely to offer greater benefits than reporting by financial year. These include:

- **How homogeneous is your cohort of grantees?** – the more homogeneous the cohort (i.e., in terms of sectors of activity, sizes of organisation, starting point for impact, etc.), the easier it will be to identify patterns in the data. The more heterogeneous the cohort, the greater the need for a Year Zero approach as it removes one element of variation.
- **Does your funding / investment programme have a fixed start date or is it a rolling programme?** – if a programme has a fixed start date, related data is likely to be less varied. Even with a single fixed start date, however, funding is often likely to get disbursed across several financial years. Setting a Year Zero approach would create a unified starting point if data appears across financial years.

- **Do you want to compare programmes with the same goals but different intervention models?** – understanding how two or more programmes achieved impact despite working with different cohorts and methods is simplified by the Year Zero approach, as it removes one element of difference between the datasets and makes cohorts more easily comparable.



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