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**Title:** Flexible Social Finance Fund – Project Change Request  
**Report of:** Phil Witcherley, Director of Economic Growth and Innovation  
**Portfolio:** Economy

## **Report Summary**

The purpose of this report is to seek approval to extend phase 1 delivery of the Social Finance Fund and bring forward £592,902 of the phase 2 funding (£2.5m) to deliver the associated activity.

In February 2024, the Chief Executive, via delegated authority granted by the former North of Tyne Combined Authority (NTCA) Cabinet in September 2021, approved a total of £4m of Investment Fund resources to establish the Social Finance Fund with £1.5m (including fund management costs of £200,000) allocated to deliver a pilot Phase 1 and noted the intention for the remaining £2.5m to support future phases of the fund.

As the fund was originally approved under the North of Tyne Combined Authority cabinet, Executive Director approval was granted in September 2024 to extend its coverage across the full North East Combined Authority (North East CA) area.

Phase 1 is currently scheduled to conclude on 30 June 2025. However, due to a six-month delay in the fund's launch, North East CA and Big Issue Invest (BII) are proposing the following adjustments:

- Extension of Phase 1 by six months, shifting the end date to 31 December 2025.
- Reallocation of £592,902 from the £2.5 million originally ringfenced for Phase 2. This amount will be used as follows:
  - £500,000 for loan support
  - £92,902 for fund management costs

These changes remain within the original £4 million funding envelope approved in 2021.

The proposed six-month extension is primarily intended to shape Phase 2 and secure external investment, enabling the development of a larger, more impactful, and higher-profile fund.

In addition, the extension will:

- Ensure continuity of support for Socially Trading Organisations (STOs), avoiding any gap in service during the transition between phases.
- Maintain delivery momentum, with BII's Newcastle-based investment managers and wider team continuing to engage with partners and the sector.
- Allow for a more informed and targeted Phase 2, by using the additional time to generate further evidence and insights.
- Provide the necessary runway to design and structure Phase 2 effectively, based on real-time learning and engagement.

Together, these factors will ensure Phase 2 is better resourced, strategically focused, and well-positioned for long-term impact.

The report further highlights the additional opportunities that the award of a 6 month extension would offer.

## **Recommendations**

The Chief Executive is recommended to:

- i. Approve extension of phase 1 of the Social Finance Fund to 31 December 2025
- ii. Approve the reallocation of £592,902 from the £2.5 million remaining of the previously approved £4 million Social Finance Fund.

## A. Summary of Investment Proposal (Context)

### 1. Background

In September 2021 the former NTCA Cabinet agreed priorities and funding to support access to finance for SMEs and social enterprises in the region, including objectives to build confidence within and improve funding available to Socially Trading Organisations (STOs) to support their sustainability and growth in both turnover and social impact terms. In line with these priorities, Cabinet approved an allocation of £4m to establish a Social Finance Fund – repayable, recyclable finance, with the aim of filling gaps in the finance market, loan and equity, for STOs and/or employee-owned businesses operating in our communities and key sectors and authorised the Managing Director (chief executive) in consultation with Investment Panel, the Mayor and Cabinet Member for Investment and Resources to consider proposals and award funding to deliver activity.

Following a co-design process, a Flexible Social Finance Fund was established and BII appointed as Fund Manager. The fund to date has allocated almost £1m in loan facilities to eight organisations, with a healthy pipeline of enquiries and draft applications in place.

#### Loans awarded to date:

Loan Value	Combined Cost of Borrowing (ROI)
£225,100	<b>£73,886</b>
£300,000	
£74,000	
£100,000	
£50,000	
£50,000	
£130,000	
£56,500	
<b>£985,600</b>	

Please see Appendix A for further information on individual projects.

#### Pipeline summary:

The current pipeline contains nine STOs with combined investment requirements of £895,000, further highlighting the need for the extension to allow BII to service those enquiries and subsequent applications. With the current pipeline and loans already disbursed totalling £1,800,000, and Phase 1's initial allocation of loan pot only being £1,300,000., we require an additional £500k to deliver an extended phase 1.

Market demand is reflected within the pipeline, and the wider North East investment landscape has also seen the closure of the North East Social Investment Fund, which ended in December 2024, creating additional Social Investment gaps.

### 2. The Investment Proposal

The Project Change Request (PCR) is seeking an additional £592,902 (to be drawn from the Phase 2 allocation of £2.5m) and an extension to delivery of 6 months. This will enable further positive impact on the social economy and communities across the region as well as additional outputs including jobs created and safeguarded.

The project is currently in its seventh month of delivery and is achieving its targets set. As a result of the extension, additional outputs will be achieved. In addition, the extended delivery will allow time to secure external co-investment and enable the gathering of a greater level of data and insights from the first phase delivery to best inform how Phase 2 should be modelled.

Whilst moving funds from Phase 2 to Phase 1 reduces North East CA's remaining balance for Phase 2, it should not bear negative impact, due to the external co-investment we plan to secure, increasing the pot value beyond our own capacity.

Co-investment discussions are currently in early stages with external investors interested in contributing to Phase 2. Securing this additional investment is considered an attractive opportunity as it will increase the total funding available for deployment enabling us to support a larger number of initiatives and deliver greater impact across the North East region.

Delaying or rejecting this extension risks:

- Disruption in access to finance for STOs during a critical period of need.
- Loss of trust and momentum built within the sector by BII's regional presence.
- Undermining efforts to attract private investment for Phase 2 due to uncertainty and operational discontinuity.
- Repeating earlier inefficiencies and delays experienced at the start of the fund, which negatively impacted delivery and stakeholder confidence.

## 2.2 Outputs and Outcomes

We are currently ahead of target with all outputs other than non-financial support – which is on track. We expect the additional 6-month extension to allow further evidence supporting the intended impact creation.

Outputs	Phase 1	Phase 1 extension	Total	Contracted to date
STO Receives Investment	7	4	11	8
STO receives non financial support	49	9	58	30
Direct Jobs safeguarded	4	1	5	5.75
Direct Jobs created	10	2	12	15.5
Creation/safeguarding of space for shared community business activity	2	0	2	4

Scaling Factor

£500,000 is 38.46% of £1.3 million ( $£500,000 \div £1,300,000 = 0.3846$ ).

Time Reduction: 6 months is 50% of 12 months ( $6 \div 12 = 0.5$ ).

Overall Scaling Factor:

- $0.3846 \times 0.5 = 0.1923$
- This means the outputs will be approximately 19.23% of the original values.

Scaling factor not applied to STO receiving investment – as we have used the average loan rate of £108k.

In addition to the output we are actively targeting, we've become aware of further activity taking place beyond the scope of our fund. This includes instances where we have supported and referred STOs to other social investors, resulting in additional deals and investment flows within the North East. In several cases, loans provided through our fund have also helped attract matched grant funding, further increasing the level of investment into the region. As we move into Phase 2, we are strengthening our systems to ensure this broader impact is more effectively tracked and reported.

Description of Outcomes	Timeframe for achievement
Social Impact Growth	Ongoing up to Dec 2030
Revenue Growth	Ongoing up to Dec 2030

The capture of social impact evidence is a key priority for this programme however; the impacts of such activity can be wide ranging and difficult to assess given the diversity of the organisations receiving support – this is reflected across the whole social economy. North East CA and BII are continuing to work together to understand better how we can capture this information moving forward, especially for Phase 2.

Wider impacts may include but not be limited to the applicant organisations' social goals:

- Poverty reduction
- Reduction of homelessness
- Increasing mental health and wellbeing
- Rehabilitation
- Increase community cohesion.
- Community regeneration development

Please see Appendix A for further info on individual wider outputs.

## 2.3 Timetable for Implementation

Milestone	Forecast Date
Approval of extension	May 2025
Extension delivery commences	July 1 <sup>st</sup> 2025
Extension delivery closure	December 31 <sup>st</sup> 2025
Phase 2 development	July – December 2025
Phase 2 delivery commences	January 2026

## 2.4 Evaluation

An internal evaluation is planned, with options being explored to assess the delivery and impact of Phase 1 to date and to help inform the development of Phase 2.

## 2.5 Appraisal

This is a Project Change Request, as such an internal assurance review has been undertaken by the programme assurance team. It is considered the project remains in line with the strategic objectives originally agreed and will continue to deliver good value for money. Outputs have been scaled with the funding increase and end date extension to ensure that there is value with the proposed change justified. There is a solid justification to support the proposed change request

## 2.6 RAG Assessment

For reference the previous RAG rating has been included below which confirmed an overall rating of green by the external appraiser.

Overall RAG assessment	
The Economic Case	GREEN
The Strategic Case	GREEN
The Inclusive Economy Case	GREEN
The Commercial Case	GREEN
The Financial Case	GREEN
The Management Case	GREEN
Overall Rating	GREEN

## 2.7 Recommended Conditions of Funding

This is a PCR for an extension of delivery timescales and additional funding; following an assurance assessment no new conditions are proposed.

## B. Potential Impact on North East Combined Authority Objectives

All activity outlined in the report will contribute to the mission, vision and values of NTCA in providing an inclusive economy, reducing poverty, and creating opportunities for our residents.

## C. Key risks

Risk remains in line with original delegated decision.

## D. Financial and other resources implications

An updated financial profile for the project/programme, inclusive of the proposed additional funding of £592,902 is included below:

See **Appendix B** for clearer breakdown

Funding source	2024/25	2025/26	2026/27	2027/2028	2028/2029	Total
NTCA CAPITAL	700,000	1,100,000				1,800,000
NTCA REVENUE*	69,186	68,687	20,000	20,000	20,000	197,873
<b>Total (£)</b>		565,428	5,544	5,544	16,386	1,997,873

\*Revenue includes extended portfolio Management from fund manager

To date, applications with a combined value of £985,600 have been approved and awarded repayable finance. There remains £325,000 to award from the current £1.3m loan pot.

The project is funded from the £4m of investment funds formerly granted by the former NTCA in September 2021 to deliver the Social Finance Fund. The additional £592,902 would be awarded from the remaining £2.5m allocation.

## E. Legal implications

Legal advice was included within the business case for the project.

No legal implications are expected in respect of the proposed extension to delivery however a deed of variation of the GFA is required.

## F. Equalities implications

The North East CA follows the [Public Sector Equality duty](#) and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. This project aims to support a diverse range of organisations.

## G. Consultation and engagement

Consultation with the Social Finance Fund steering group and investment committee has taken place with all in agreement that an extension would provide much needed additional impact information and allow a continuation of funds leading to Phase 2 development without a gap in service.

## H. Appendices

A – Further info on lenders and loan  
B- Finance breakdown

## I. Background papers

North of Tyne Combined Authority [Delegated Decision Report](#) 29 February 2024 – Social Finance Fund – Flexible Social Finance Phase 1

## J. Contact officers

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## K. Glossary

BII – Big Issue Invest  
NECA – North East Combined Authority  
NTCA – North of Tyne Combined Authority  
PCR – Project Change Request  
STO – Socially Trading Organisation

## L. Consultee

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes

## APPENDIX A – Further redacted information re lenders and loan use.

A charity and limited company supporting highly disadvantaged individuals across multiple sites in a northern English region. It combines housing, training, social enterprise, and therapeutic support to promote inclusion and long-term recovery.

In response to a local authority request, the organisation is expanding housing for care-experienced young people via its housing initiative. With partial funding already secured, it seeks support to acquire properties and expand training delivery, addressing urgent housing needs, boosting earned income, and deepening community impact.

A charitable organization established to repurpose a former municipal building into a vibrant community hub. It also manages two satellite centers in the region and employs staff. The hub offers services such as an early years childcare facility, café, meeting rooms, and shared space for tenant organizations.

Support is sought for a renovation project to create new rentable units, aligning facilities to a common standard and increasing income. It also includes relocating a popular workshop program to support individuals on a waitlist.

Repurposing a large room to expand early years provision, aiming to increase capacity and operational efficiency, and support a rating upgrade from a national education regulator. This will help reduce a waiting list of children.

A long-standing performing arts charity based in a rural town, this organisation has brought professional theatre to isolated and underserved communities. Although it no longer receives regular public arts funding, it remains active through project-based grants and charitable support.

The organisation seeks core funding to bridge seasonal cashflow gaps that currently limit its ability to commit to productions and marketing in advance. With more reliable financial backing, it could make earlier bookings with venues, streamline operations, and grow commercial income—helping to secure its future and continue delivering impactful arts programming to hard-to-reach audiences.

An established community hub is facing rising energy costs, putting pressure on the surplus that funds its essential services.

To reduce expenses and improve sustainability, the centre is implementing the next phase of its renewable energy strategy, including solar panels and heat pumps.

The support will lower running costs, protect financial stability, and help sustain vital community services while supporting environmental goals. This also helps to co-fund a grant.

A registered charity and company limited by guarantee, this organisation operates a recovery-focused community hub in a northern city. It supports individuals overcoming addiction, alongside their families and wider communities, with services that include housing, mentoring, education, and partnerships with healthcare and financial wellbeing providers.

While it previously ran a on-site, the space has been dormant in recent years, reducing opportunities for community engagement and income generation. A grant from a regional health commissioning body enabled the refurbishment of this space. The organisation now seeks investment to professionally relaunch the café as a social enterprise, creating a sustainable income stream and training/volunteering pathways for people in recovery. The relaunch will also include a takeaway service in collaboration with a nearby further education institution, deepening local community integration.

A charitable trust located in a northern English region has successfully transformed a previously closed heritage site into a thriving visitor attraction and community venue. The estate also supports small businesses and plays a central role in cultural and economic regeneration.

However, growth has outpaced parking infrastructure, resulting in lost income from cancelled events and capacity limits. The proposed solution is the creation of an all-weather car park to

accommodate year-round operations, unlock additional revenue, and strengthen outreach through inclusive arts, education, and wellbeing programs for local families, older people, and disadvantaged communities.

A community interest company (CIC), this grassroots cultural space supports emerging and independent artists through live music, workshops, film, and radio. It is home to an independent radio station.

The current venue lacks accessible facilities, limiting participation. To address this, the organisation has secured a lease on an accessible ground-floor space to develop a daytime café, evening restaurant, and intimate event venue. Support will complete the fit-out and launch, increasing access, generating income, and enhancing its impact within the cultural and social landscape.



## APPENDIX B

## ORIGINAL PROFILE

## Capital

Capital Cost Category	2023/24					2024/25					2025/26				
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
Land Acquisition	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Building Acquisition	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Site Investigation	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Site Preparation	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Building & Construction	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Plant & Machinery	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Capital	£0	£0	£0	£0	£0	£0	£400,000	£300,000	£300,000	£1,000,000	£300,000	£0	£0	£0	£300,000
Total	£0	£0	£0	£0	£0	£0	£400,000	£300,000	£300,000	£1,000,000	£300,000	£0	£0	£0	£300,000

[illegible]

Revenue

Revenue Cost Category	2023/24					2024/25					2025/26				
	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total
Salaries	£0	£0	£0	£0	£0	£0	£20,054	£20,054	£20,054	£60,163	£20,054	£3,614	£3,614	£3,614	£30,896
Flat Rate Indirect Costs	£0	£0	£0	£0	£0	£0	£3,008	£3,008	£3,008	£9,024	£3,008	£542	£542	£542	£4,634
Travel & Expenses	£0	£0	£0	£0	£0	£0	£200	£200	£200	£600	£400	£0	£0	£0	£400
Accommodation Costs	£0	£0	£0	£0	£0	£0	£100	£100	£100	£300	£200	£0	£0	£0	£200
Materials & Consumables	£0	£0	£0	£0	£0	£0	£2,000	£2,000	£500	£4,500	£500	£0	£0	£0	£500
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Marketing & Promotion	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Consultancy / Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Evaluation	£0	£0	£0	£0	£0	£0	£1,000	£1,000	£1,000	£3,000	£1,000	£0	£0	£0	£1,000
Other Revenue	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£0	£0	£0	£0	£0	£26,363	£26,363	£24,863	£77,588	£25,163	£4,156	£4,156	£4,156	£37,630

Revenue Cost Category	2026/27					2027/28					2028/29					REVENUE TOTAL
	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar	Total	
Salaries	£3,614	£3,614	£3,614	£3,614	£14,455	£3,614	£3,614	£3,614	£3,614	£14,455	£3,614	£0	£0	£0	£3,614	£123,583
Flat Rate Indirect Costs	£542	£542	£542	£542	£2,168	£542	£542	£542	£542	£2,168	£542	£0	£0	£0	£542	£18,537
Travel & Expenses	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,000
Accommodation Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£500
Materials & Consumables	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£5,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Marketing & Promotion	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Consultancy / Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Evaluation	£0	£0	£0	£0	£0	£0	£0	£0	£2,000	£2,000	£2,000	£0	£0	£0	£2,000	£8,000
Other Revenue	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£4,156	£4,156	£4,156	£4,156	£16,623	£4,156	£4,156	£4,156	£6,156	£18,623	£6,156	£0	£0	£0	£6,156	£156,621

PCR EXTENSION REQUEST

Capital

	2025-26					TOTAL
Category	Q1	Q2	Q3	Q4	Total	
Other Capital			300000	200000	500000	500000
					0	0
					0	0
					0	0
					0	0
					0	0
					0	0
					0	0
Total	0	0	300000	200000	500000	500000

Revenue

	2024-25					2025-26					2026-27				
Category	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Other Revenue					0		3614	3614	5000	12228	1386.21	1386.21	1386.21	1386.21	5544.84
Salaries					0		22000	22000		44000					0
FRIC					0		3300	3300		6600					0
Travel & Expenses					0		600	600		1200					0
Accommodation Costs					0		200	200		400					0
Other Revenue					0		500	500		1000					0
					0					0					0
					0					0					0
					0					0					0
Total	0	0	0	0	0	0	30214	30214	5000	65428	1386.21	1386.2	1386.21	1386.21	5544.84
Overall Total	0	0	0	0	0	0	30214	330214	205000	565428	1386.21	1386.2	1386.21	1386.21	5544.84

2027-28					2028-29					TOTAL
Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
1386.21	1386.21	1386.21	1386.21	5544.84	1386.21	5000	5000	5000	16386.21	39703.89
				0					0	44000
				0					0	6600
				0					0	1200
				0					0	400
				0					0	1000
				0					0	0
				0					0	0
				0					0	0
1386.21	1386.21	1386.21	1386.21	5544.84	1386.21	5000	5000	5000	16386.21	92903.89
1386.21	1386.21	1386.21	1386.21	5544.84	1386.21	5000	5000	5000	16386.21	592903.89

FULL PROPOSED FINANCIAL PROFILE (including PCR request and original funding)

Capital

	2024-25					2025-26					TOTAL
Category	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Other Capital	0	0	300000	400000	700000	300000	300000	300000	200000	1100000	1800000
					0					0	0
					0					0	0
					0					0	0
					0					0	0
					0					0	0
					0					0	0
					0					0	0
					0					0	0
Total	0	0	300000	400000	700000	300000	300000	300000	200000	1100000	1800000

Revenue

	2024-25					2025-26					2026-27				
Category	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Other Revenue					0		3614	3614	5000	12228	5000	5000	5000	5000	20000
Salaries	0	20054	20054	20054	60162	20054	2200	22000		44254					0
FRIC		3008	3008	3008	9024	3005	3300	3300		9605					0
Travel & Expenses					0		600	600		1200					0
Accommodation Costs					0		200	200		400					0
Other Revenue					0		500	500		1000					0
					0					0					0
					0					0					0
					0					0					0
Total	0	23062	23062	23062	69186	23059	10414	30214	5000	68687	5000	5000	5000	5000	20000
Overall Total	0	23062	323062	423062	769186	323059	310414	330214	205000	1168687	5000	5000	5000	5000	20000