

Call for Partner(s) to develop a co-invested Social Finance fund and a strategic approach to Social Economy market development in the North of Tyne area.

1. Introduction

The North of Tyne Combined Authority (NTCA) was formed in November 2018 through a Devolution Deal agreed with HM Treasury. This deal and similar devolution agreements across the UK saw certain administrative and funding powers transferred from Central Government to a regional level. NTCA is the devolved body for Newcastle, North Tyneside, and Northumberland.

Specifically, the North of Tyne Devolution Deal sets out to:

- Deliver 10,000 new jobs
- Add £1.1 billion GVA to the economy, and
- Leverage over £2.1 billion in private sector investment.

NTCA works in partnership with our three constituent local authorities and the North East Local Enterprise Partnership (NELEP) in the pursuit of these ambitions.

Our vision is one of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have stake in our region's future.

The purpose of this document is to provide potential partners with the information required to submit proposals to work with the NTCA to codesign, and co-invest in, a strategic programme of activity that will develop innovative social finance options and grow the social economy in the North of Tyne area.

NTCA expects the initial phase of the partnership to be focussed on developing an innovative market development and funding approach – a coherent social finance offering that supports start-up and growth phase propositions in the social economy within the area.

NTCA will bring up to £4m of combined revenue and capital investment to this partnership and expects that this funding will both enable a strategic approach to market development and, where a clear strategic and economic case is made, provide investment capital to fill gaps in the finance market locally.

Partners working with the NTCA will be expected to demonstrate significant value add and commensurate co-investment. The partner(s) selected will share our ambition to deliver transformative change which leaves a legacy of an active and sustainable community of impactful social ventures as a result of our collaboration.

A wide range of stakeholders from the sector have been consulted throughout the development of our plans and priorities to this point, and prospective partners should reflect on the published findings of this engagement when setting out their proposals¹.

2. Strategic Context: The Social Economy and NTCA

Our plan for a more inclusive North of Tyne is built on three key aims:

1. Creating a more social and inclusive economy - one which promotes wellbeing across all communities by ensuring wealth is retained locally and distributed more equitably.
2. Addressing inequality and poverty, enabling our residents to access opportunities at every stage of their lives.
3. Driving better coordination of education, skills, employment and health activities to help more people move into good work, and progress in work.

Within the NTCA Corporate Plan 2022-23² we outline our ambitions to empower local communities and develop the support that is required to grow the Social Economy. This involves supporting community resilience and readiness for change through investment, engagement, and co-production with communities.

NTCA is building capacity to innovate and create future jobs through major investments in our transition to clean growth, green jobs, and a modern, digitally connected economy. This partnership and the wider Social Economy have a key role to play in supporting socially trading organisations within this broader agenda.

There are opportunities for activity in the social economy which complement our Green New Deal activity, including community energy and retrofit across domestic and commercial properties. Socially Trading Organisations have opportunities to contribute to the digital economy and rural connectivity through the development of cooperative platforms and through community collaboration. Procurement organisations such as NEPO and other anchor institutions are also exploring how they can build out the local dimension of their supply chains, which may present opportunities for socially trading organisations.

NTCA Access to Finance Programme

In September 2021 North of Tyne Combined Authority (NTCA) Cabinet set out several objectives and approved in principle a significant investment to support the access to finance needs of local businesses, including those operating in the social economy. The Access to Finance Programme includes funding for ecosystem coordination to maximise the take-up of existing sources of finance, and the establishment of a social finance fund which aims to fill gaps in the finance market for socially trading and employee-owned businesses operating in the North of Tyne.

An allocation of £4m of funding was made to support the creation of a social finance fund and to deliver the objectives of the partnership sought through this call.

¹ https://www.powertochange.org.uk/wp-content/uploads/2022/12/PTC_3928_Social_Economy_Report_FINAL.pdf

² <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/06/NTCA-CORPORATE-PLAN-2022-v6.pdf>

Call for evidence undertaken with Power to Change

Working with Power to Change, NTCA reviewed the nature and scale of the social economy in the North of Tyne and explored ways of promoting and further developing this important sector.

A call for evidence was opened in the spring of 2022 to provide an opportunity for stakeholders to impart their knowledge and experience and for NTCA to gain a better understanding of the state of the sector. We gathered views on the opportunities and barriers to growth in the social economy, and in particular the sector's appetite for innovative financial products including loans and equity to support start-up, innovation, and scale-up. We also heard the views of socially trading organisations, infrastructure and business support agencies, social finance fund managers and grant making organisations.

A feedback event was hosted 'Growing the North East social economy through innovative finance' at the Frederick Douglass Centre and was sponsored by Newcastle University and Insights NE. Through this event we shared our initial findings and explored how we should co-design a new and innovative finance initiative for the social economy.

Evidence from the call suggests that community businesses can make a major contribution to the wellbeing of our local communities. They present opportunities for boosting local productivity while meeting a range of social, health and environmental objectives. Values-driven operations and shared ownership models also, by their nature, address inequality and exclusion, and spread opportunities throughout our communities. We have discovered that the sector is growing across the North of Tyne and we're keen to support and maintain this progress.

The area has a good track record in translating strong community spirit into bottom-up community action and social enterprise. Approximately 3% of businesses in the North East region are socially trading organisations, providing significant numbers of jobs. Through values-driven operations and shared ownership models, these organisations are essential in boosting local productivity while helping to level up communities, create pride in place, and spread opportunities throughout our communities.

Our call for evidence highlighted that finance and business support requirements are closely interlinked, and that the two should be considered together in the NTCAs economic policy responses. While there are some existing sources of finance and business support available, organisations reported a lack of appropriate and tailored support for start-up and scale-up, including peer support from other social enterprises, support for worker-owned cooperatives, and guidance on legal forms for start-ups.

Our call for evidence showed that the following elements are required to fill the gap in provision for STOs:

- The provision of practical support alongside patient, flexible funding
- Building of capacity by supporting the development of business skills
- Reduction in barriers to finance, especially for start-ups
- Boosting the pipeline of social ventures seeking investment and a proactive effort to open-up large parts of the economy to socially trading organisations and solutions
- Optimisation of scale of funding available in the region and a more proactive binding together of national and local funding opportunities at the local level
- More equitably priced social finance products, comparative to mainstream offerings.

Output from this call for evidence is available at:

<https://www.powertochange.org.uk/news/accelerating-the-social-economy-in-the-north-east/>

https://www.powertochange.org.uk/wp-content/uploads/2022/12/PTC_3928_Social_Economy_Report_FINAL.pdf

Regional Social Finance Landscape

There are several local and national examples of investment and loan funds which exclusively provide finance for social ventures or are inclusive of them in their investment aims or strategies. However, our call for evidence highlighted that many STOs view existing products as expensive – this may be due to the additional due-diligence required to enable more tailored local products to invest at appropriate levels of risk, or the relatively sub-optimal scale of local funds, which often suffer from higher transaction costs and overheads comparative to larger funds operating on a national scale. There was also a view that many existing products (local and national) are insufficiently patient or flexible enough to accommodate early-stage ventures.

3. Call Scope and Priorities

NTCA is seeking partnership proposals from organisations who have significant expertise, capability, and resources to co-design and co-invest in a strategic programme of activity to grow the social economy in the North of Tyne area and develop innovative social finance options.

NTCA expects the initial phase of collaboration with selected partner(s) will be focussed on the development of an innovative market development approach – which will have at its centre a coherent social finance offer that supports start-up and growth phase propositions in the social economy.

Prospective partners are asked to set out proposals for how they would support NTCA to address the following objectives:

1. **Strengthen and grow the social economy in the North of Tyne, to:**
 - Build a wellbeing economy
 - Deliver positive social, environmental, and economic outcomes for communities
 - Tackle inequality

2. **Develop a co-invested, place-based social investment and market development approach** that serves the social economy's needs for money, business support and infrastructure, over a strategic timeframe, and is:
 - Developed in line with evidence from sector analysis and engagement
 - Co-designed with the social economy sector, and responsive to its needs.
 - Developed in line with principles below.

Design Principles:

The following design principles will underpin the partnership. The activities undertaken should be delivered in a manner that ensures activity and impact is:

- **Sustainable:** able to continue to support the sector into the future, once the initial funding has been deployed
- **Flexible:** able to address organisations' needs and to continue to serve the social economy as the sector's needs change over time

- **Co-designed:** led by sector needs not purely by investor parameters and collaboratively co-designed
- **Co-invested:** including through partnership resources under management and where appropriate wholesale finance sources
- **Inclusive:** serving the whole of the sector, not only the largest organisations, or those that own an asset, and providing an appropriate offer with the expertise to support organisations at all stages of the business development cycle from start-up to growth funding and with awareness of the additional needs of excluded groups
- **Impactful:** evidence led and based on clearly demonstrated need, complementary to existing support/investment, and with a strong strategic fit with local, national and shared policy objectives
- **Systemic:** addressing demand-side challenges including education, awareness and trusted, impartial support. Serving the social economy ecosystem across different organisational life stages and supporting sector infrastructure
- **Additional:** plugging supply-side gaps including flexibility, patience, scale of investment, regional focus and affordability
- **Accessible:** effectively reaching those communities that are currently underserved (especially organisations led by women and people from minority communities).

Anticipated outcomes and impact:

Interventions should leave a legacy of an active and sustainable community of impactful social ventures. This will include the delivery of significant economic impact including the numbers of organisations supported, jobs created, and new enterprises developed. In addition we expect the following to be key measures of outcomes and impact:

- Growth in the development, activity and connectedness of Socially Trading Organisations addressing social and environmental issues in line with the NTCA Economic Vision and Inclusive Economy Statement
- Stronger and more co-ordinated infrastructure support for social economy
- Appropriate money and support available in the region for STOs at all life stages, as part of a systemic approach to supporting growth of the sector
- Availability of long term and sustainable funding to STOs
- Replicable and/or scalable impact, beyond NTCA.

Potential Impacts:

- Size of social economy increases (no. organisations; size of organisations; STO sustainability rates and resilience)
- Community ownership of assets increases (number and value of assets)
- Social impact of STOs increases (measures by STOs)
- Greater connectivity and stronger infrastructure (reported by STOs; number of STO peer relationships)
- Increase in money recycling locally (number FTE created)
- Reduced inequality (number STOs in IMD 1-3 areas)

4. How NTCA expects to work with selected partner(s):

NTCA believe that a collaborative approach is the best way of achieving our objectives. Many of the elements that the ecosystem required already exist. Our ambition is to convene, enable and unlock

the collective potential and to invest in areas where we can realise whole region benefits in a way that adds real value.

NTCA expects to work with its selected partner(s) to:

- Develop strategic approaches to market development for STOs and the finance available at all points on the funding escalator, building on our Call for Evidence.
- Develop logic models and strong business case for co-investment (See Appendix A)
- Co-design and co-invest in new funding models and market development activity.
- Co-commission new models of support for the social economy.

To enable this NTCA expects that successful partner(s) will provide the following expertise/activities:

- Knowledge of fund design and the regulatory environment
- Strategic co-investor relationships and/or own capital available for co-investment
- Community and stakeholder engagement capability
- Fund management capability and track record
- Market development expertise and experience of supply and demand side stimulation of social economy activity – including in the context of priorities such as energy resilience, town and high street renewal and community wealth building.

Resources NTCA expects to commit to a partnership approach:

Subject to due process and without prejudice to the full decision-making process, NTCA will co-invest in the products and activities that result from this collaboration, including in innovative Social Finance products or mechanisms. The NTCA Cabinet has committed £4m towards a dedicated fund offering affordable, appropriate, and patient finance for STOs across the North of Tyne area. A staff member co-funded by NTCA and Power to Change will be available to facilitate partnership working.

It is expected that NTCA will partner with organisations who are able to bring significant co-investment and resources to the partnership.

Key expectations are that:

- Public funding resulting from this partnership will be the minimum public investment required and will reduce or remove market failures hindering the achievement of objectives set out.
- The funds should be deployed in a way that is recyclable, as far as possible
- Any fund structures developed will utilise co-financing from other non-NTCA sources, and/or leverage wholesale or mainstream lending (where appropriate) to maximise the scale and appropriateness of funding available.
- NTCA funding is used creatively to address market failures in the social finance market. This may include use as guarantees or assurances that de-risk commercial investment and enable a fund at scale and which operates within the desired level of affordability and patience.
- Any funding approvals will be subject to NTCA's governance and assurance arrangements.
- A significant proportion of funding will be deployed in innovative or novel market development and approaches to finance.

- Existing programmes of business support and local delivery partners will feature heavily in the resulting activity.
- Specific Investment Exclusions will be adhered to and are set out at Appendix B.

5. Submission of Proposals

Proposals should be provided in no more than 10x sides of A4. Proposals should set out responses to the following points:

1. How you propose to collaborate with NTCA and partners to meet the objectives set out in this call.
2. What activities would be undertaken and what additionality would result from the partnership.
3. Your understanding of the investment requirements of the social economy in the area and the action that is required to create a pipeline of investable social ventures linked to NTCA's overall economic ambitions.
4. Who would be involved? Please include team details, delivery partners, relevant experience/commitment to the social economy and understanding and knowledge of the ecosystem in the NE.
5. What resource and financial co-investment you will bring to the partnership.
6. Your outline delivery plan, and what you would require from NTCA as a partner.
7. Your experience of and commitment to the North East.

Queries from applicants should be sent to SocialEconomy@northoftyne-ca.gov.uk. Applicants should be aware that queries may be anonymised and responded to publicly through a Q&A Log on the NTCA website.

Please consider the following strategic documents that may help you with your application.

- [North of Tyne Corporate Plan 2022-23: Working Together](#)
- [NTCA Inclusive Economy Policy Statement June 2021](#)

Completed Proposals should be sent to SocialEconomy@northoftyne-ca.gov.uk by **Friday 21st April 2023**. Proposals are not required to use a standard template but should adhere to the maximum length of 10 pages of A4.

6. Partner Selection Process

Proposals will be considered based on the fit with NTCA objectives and strength of the partnership offer. The strongest partnership proposals will be presented to NTCA Investment Panel and will form the basis of further dialogue.

NTCA may ask potential partners to come together in a wider partnership and may require partners to enter a Memorandum of Understanding (MoU) or other formal legal arrangement.

7. Subsidy Control

Following the UK's departure from the European Union on 31st December 2020, a new subsidy control regime is now in place. As such, NTCA require all applicants for funding to seek advice setting out how projects are compliant with the new UK Subsidy regime.

<https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on->

[subsidy-control-guidance-for-public-authorities/technical-guidance-on-the-uks-international-subsidy-control-commitments-from-1-january-2021](#)).

Potential partners should note that they may be required to provide such advice should the partnership result in the receipt of funding from NTCA or the subsequent transfer of that Funding to third parties.

To comply with new subsidy control regulations, all awards that are considered 'subsidies', and with a value of over £300,000, will be published on the new BEIS transparency database. All awards will be monitored for their ongoing compliance with subsidy control rules.

8. Other information

Projects should be developed in line with NTCA's Funding Guidance which is available here: <https://www.northoftyne-ca.gov.uk/support/business-guidance/>

NTCA will take swift action against any recipients who have deliberately manipulated records or have committed fraud. Any beneficiaries caught falsifying their records to gain grant funding will face prosecution and any funding or grants paid in error will be subject to claw back.

NTCA does not accept any liability for any issues that may arise for applicants under this scheme, whether they are successful or not.

Appendix A – Draft Logic Model

Theory of Change: regional social investment and support for the social economy				
CHALLENGE	PROPOSED ACTIVITY	OUTPUTS	OUTCOMES	IMPACT
<p>Growing and strengthening the social economy in the North of Tyne, as a way to:</p> <ul style="list-style-type: none"> - Build a wellbeing economy - Deliver positive social, environmental and economic outcomes for communities - Tackle inequality 	<p>A place-based social investment and support vehicle that serves the social economy's needs for money, business support and infrastructure, over 20years+</p> <p>Developed in line with evidence from sector analysis and engagement</p> <p>Co-designed with the social economy sector, and responsive to its needs.</p> <p>Developed in line with principles below.</p>	<p>£ invested into social economy</p> <p>No. STOs accessing business support</p> <p>No. STOs receiving investment</p> <p>No. hours peer support and/or mentoring to foster connectivity within the sector</p>	<p>A growth in the development, activity and connectedness of Socially Trading Organisations addressing social and environmental issues in line with the NTCA Economic Vision and Inclusive Economy Statement.</p> <p>Stronger and more co-ordinated infrastructure support for social economy.</p> <p>Appropriate money and support available in the region for STOs at all lifestages, as part of a systemic approach to growing the sector</p> <p>Replicable and/or scalable impact, beyond NTCA</p> <p>Offering money and support to STOs in the North East long term (20+ years)</p>	<p>Size of social economy increases (no. organisations; size of organisations; STO sustainability rates and resilience)</p> <p>Community ownership of assets increases (no. & value of assets)</p> <p>Social impact of STOs increases (measures by STOs)</p> <p>Greater connectivity and stronger infrastructure (reported by STOs; no. STO peer relationships)</p> <p>Increase in money recycling locally (no. FTE created)</p> <p>Reduced inequality (No. STOs in IMDs 1-3)</p>

Appendix B – investment Exclusions

NTCA is a public authority and would not expect its funding to be used to directly or indirectly support the following activities:

- activities targeting the production of weapons and ammunition , arms, military or police equipment or infrastructures, and equipment or infrastructure which result in limiting people’s individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights;
- activities which give rise to environmental impacts that are not largely mitigated and/or compensated (including but not limited to projects in protected areas, critical habitats and heritage sites);
- activities considered ethically or morally controversial. Examples: sex trade and related infrastructure, services and media, animal testing, research on human cloning;
- activities prohibited by national legislation (only where such legislation exists). Examples: Genetically Modified Organisms (GMO), abortion clinics, nuclear energy, etc;
- parties in relation to which more than 10% of its annual revenues is generated by any of the following activities:
 - activities targeting the production or facilitating the use of gambling and related equipment;
 - activities targeting tobacco production, manufacturing, processing, or specialist tobacco distribution, and activities facilitating the use of tobacco (e.g. “smoking halls”); and parties engaged in any of the sectors identified as non-eligible activity (type 2) on the list of NACE codes 5 provided by the European Investment Bank (EIB).