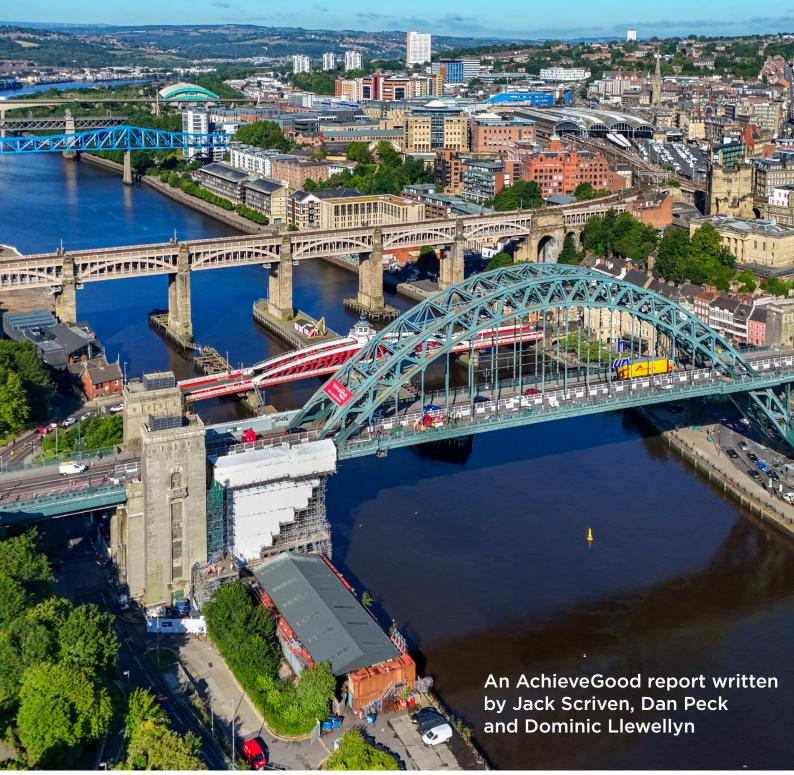
# **Building Bridges:**

A Review of Place-Based Social Impact Investment in North East England









# Foreword: Community Foundation North East



"If you build it, they will come." The oft-used (mis)quote from Field of Dreams sums up the mindset of those innovators who, over a decade ago, determined to harness new wholesale social investment to benefit North East England. Northern Rock Foundation (NRF) brokered a significant sum from Better Society Capital (BSC) alongside other partners, and the North East Social Investment Fund (NESIF) was born. But, like any good innovation, it was also an experiment – in whether a regional pot could be deployed, in the requirements of regional leadership, in whether nascent markets could be stimulated. There were risks and

plenty of barriers, not least a sector heavily reliant on grants, and a commissioning community unused to the ecology of repayable finance.

Early in NESIF's life, NRF handed its responsibilities and investments to us at Community Foundation North East, and we've worked alongside Northstar Ventures and the other partners over the years, in which the landscape has evolved significantly. Latterly, we've played a part in bringing lessons from elsewhere around blended finance, informed partly by my role as a trustee of Access, the Foundation for Social Investment. Meanwhile, the agenda has evolved in other regions, and there is much to learn from places including Liverpool, Bristol and Bath and Greater Cambridge.

As we came to the end of NESIF's deployment period, it seemed vital to step back to survey the landscape again. Happily, Dominic Llewellyn and his team at AchieveGood had the same thoughts, and we have had the pleasure of working with them to support and inform this important report. I would like to thank them for their commitment to stakeholder engagement, as well as adding my thanks to everyone who has contributed their thinking and experience generously and candidly.

Perhaps what we've learned is "build it and they will come, if there's good brokerage, development capacity, flexible products and willingness on all sides to take risks." And with the North East Combined Authority actively engaged in this space, there's never been a better time to share these lessons more widely.

Rob Williamson OBE, DL Community Foundation North East

# **Executive Summary**

The North East of England has a proud history of industrial innovation, yet faces enduring socioeconomic challenges, including deep-rooted poverty affecting 31% of children (one of the highest rates in the UK), significant health inequalities with life expectancy four years below the national average, and substantial economic inactivity. Nevertheless, the region boasts influential institutions, a committed voluntary sector generating £5.86 billion annually, exceptional healthcare infrastructure, and outstanding universities, all of which provide a strong foundation for positive social and economic transformation.

This report reviews a decade of place-based social impact investment efforts in the North East, with a particular focus on the North East Social Investment Fund (NESIF)<sup>1</sup>, which closed to new investments in December 2024. It identifies key successes and systemic challenges, emphasising the urgent need for strategic partnership, smart deployment of concessionary capital, and proactive, locally informed deal-making.

Through a collaborative co-design and review process with regional stakeholders, our work identified previous successes and persistent challenges as well as new opportunities for the North East's social impact investment ecosystem. Stakeholders consistently highlighted the importance of blended finance, combining grants with repayable investments, as a successful model that enhances access to finance for smaller, community-focused organisations. However, they also identified fragmented infrastructure, limited scale, reactive investment approaches, and insufficient organisational readiness.

Our central recommendation is bold yet achievable: key regional stakeholders should co-design a new place-based social investment vehicle, drawing inspiration from a range successful regional models. This vehicle should harness the region's £4 billion in annual social outcomes spending, leverage Mayor Kim McGuinness's commitment to tackling child poverty, and position the North East as a model for place-based impact investment across the UK.

This approach would emphasise proactive, strategic deal-making aligned with community priorities and enhanced collaboration among social impact investors, communities, public authorities, and philanthropic funders. By starting with a £10-20 million pilot fund and scaling to £50-100 million, this vehicle can demonstrate that the North East is investable whilst addressing the region's most pressing challenges through innovative blended finance mechanisms.

The opportunity is clear: by addressing structural gaps, enhancing collaboration, and proactively aligning investments with regional ambitions, place-based social impact investment can significantly contribute to long-term inclusive growth, resilience, and prosperity in the North East of England.

<sup>&</sup>lt;sup>1</sup> https://www.nesocialinvestment.com/investment-fund [This website needs changing to say that the fund has now ceased investing]

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# **Acknowledgements**

This review would not have been possible without the generous support and vision of Community Foundation North East<sup>2</sup> and the Northstar Foundation, who commissioned and funded this work.

We extend our sincere gratitude to the many stakeholders who generously gave their time, expertise, and insights throughout this research; a full list is provided in Appendix I. Their candid reflections, drawn from years of experience at the frontline of social impact investment, have been invaluable in shaping our understanding and recommendations. We particularly thank those who participated in our roundtable discussions and co-design sessions, helping to ensure this review reflects the authentic voice of the North East's social impact investment ecosystem.

Special thanks go to Emma O'Rourke, Naomi Allen Seales, and the team at Northstar Ventures<sup>3</sup> for sharing their experience, and for their commitment to learning from both successes and challenges. We also acknowledge the investee organisations that shared their experiences, demonstrating how social impact capital can transform communities.

Finally, we recognise the broader community of social impact investors, public sector leaders, academic partners, and voluntary sector organisations who continue to work tirelessly to address the North East's challenges. This review is ultimately a testament to their dedication and a call to build on the strong foundations they have established.

The findings and recommendations presented here reflect the collective wisdom of all who contributed, though any errors or omissions remain the responsibility of the authors.

# ABOUT ACHIEVEGOOD

AchieveGood helps local and national governments, non-profits and corporates to maximise impact and diversify revenue by building the best partnerships across sectors.

We create cross-sector collaborations to enable place transformation, develop viable impact strategies and social impact investments and help large organisations be platforms for innovation and impact.

We'd love to hear from you if you think we can help or would like to discuss working with us.

All of our work starts with a friendly conversation, so please do reach out on our website or email below to get in touch.

www.achievegood.com hello@achievegood.com

<sup>&</sup>lt;sup>2</sup> https://www.communityfoundation.org.uk/

<sup>&</sup>lt;sup>3</sup> https://www.northstarventures.co.uk/

# **Definitions: what we mean**

While we aim to use clear language, there is sector specific technical and specialised language. Some key terms are outlined below. Please refer to the glossary in the Appendix for further definitions of technical terms or concepts that may need clarification.



**Social impact investment:** (also called 'social or impact investment') is the repayable transfer of money with the aim of creating positive social impact. There is usually a financial return associated with the investment, meaning the amount of money repaid may differ from the amount invested.



Place-based social impact investment: Place-based social impact investments are investments that aim to yield appropriate, risk-adjusted financial returns as well as positive local impact, with a focus on helping specific places to enhance local economic resilience, prosperity and sustainable development.



**Blended finance:** Blended finance is a strategy that combines capital with different levels of risk to catalyse risk-adjusted market-rate-seeking financing into impact investments. The providers of the risk-tolerant, 'catalytic' capital in blended finance structures aim to increase their social and/or environmental impact by accessing larger, more diverse pools of capital from commercial investors.



# Introduction and methodology

North East England<sup>4</sup> has a rich industrial history and a deep-rooted culture of innovation. As the birthplace of the railway and the lightbulb, the region helped drive the early industrial economy that shaped modern Britain. For generations, its industries and skilled workforce powered the country's growth, producing the ships, machinery, and engineering expertise that gave Britain its global reach.

That legacy is a point of pride, but the region has also been shaped by decades of industrial decline and underinvestment. From the mid-twentieth century onwards, the collapse of traditional industries such as shipbuilding, coal mining, and heavy manufacturing led to widespread job losses and economic disruption. Many communities experienced rising unemployment, falling living standards, and deteriorating health.

Yet the North East is not defined by its past alone. Today, it is home to 2 million people, with strong transport connections, outstanding universities, and globally recognised employers such as Greggs, Sage, and Barbour. It also hosts major public institutions and anchor employers, including a world-class NHS, HMRC, and the UK's largest community foundation. Economic momentum is building in the region, home to one of the fastest-growing tech sectors in the country and with particular strengths in biotech, green tech, and gaming.

However, these 'assets' sit alongside some of the most persistent inequalities in the UK. Too many communities continue to face entrenched poverty, unstable and unsuitable housing, limited access to secure work, and poor mental and physical health. These issues affect both adults and children and often stretch across generations. These issues are longstanding and complex. They will take sustained, coordinated action to address at the scale and depth required.

Over the past decade, the North East has played a leading role in exploring how patient, place-based investment can support the necessary social and economic changes that the North East needs. The £10.2 million North East Social Investment Fund (NESIF)<sup>5</sup>, created in 2014, was one of the first place-based social impact investment funds in England, backing organisations working on the most pressing social and health issues. Now, following the recent closure of the fund's investment period, Community Foundation North East and Northstar Foundation have commissioned this review to reflect on what has been achieved, what has proved difficult, and what future place-based social impact investment could look like if it is to better meet the needs of communities across the region.

As part of this review, we have also looked beyond the region to examine how other places across the UK are using place-based investment to tackle inequality and drive inclusive growth. These examples, found in Liverpool, Bristol & Bath, and Greater Cambridge, offer different models for how public, private, and philanthropic capital can be aligned to support local priorities, shaped by the needs and ambitions of communities. This review is ultimately intended to support the next phase of place-based investment in North East England. It brings together lessons from the past decade and offers practical recommendations for what should come next.

<sup>&</sup>lt;sup>4</sup> Defined as the North East Combined Authority (NECA) councils of Newcastle-upon-Tyne, Gateshead, North Tyneside, South Tyneside, Northumberland, Durham, and Sunderland

<sup>&</sup>lt;sup>5</sup> https://www.northstarventures.co.uk/social-investment-fund/

This work comes at a time of real possibility for place-based social impact investment in North East England. The creation of the North East Combined Authority (NECA)<sup>6</sup>, alongside the election in 2024 of a new Labour government committed to community and economic renewal, has brought fresh momentum to the region. There is growing national recognition that social impact investors, responsible businesses, and capital from the 'impact economy' can play an important role with the public sector and civil society in building community wealth and wellbeing.

Realising that potential will require the government to work closely with the social sector, social impact investors, and philanthropic partners to align funding, policy, and delivery around shared, community-led priorities, and to sustain that commitment over the next decade and beyond. The future of place-based investment must be driven by local knowledge, shaped by long-term collaboration, and focused on outcomes that matter to the people of this region.

# **METHODOLOGY**

This research employed a collaborative methodology rooted in stakeholder engagement and codesign. Drawing on AchieveGood's experience in developing place-based investment strategies across the UK, we worked closely with regional stakeholders to ensure recommendations would be both practical and ambitious.

The research was conducted over 16 weeks from October 2024 to January 2025, structured across four phases designed to build understanding, validate insights, and co-create solutions through a comprehensive co-design approach.



# Desk research: establishing the baseline

Initial desk research examined the North East's socioeconomic assets and challenges and existing place-based investment landscape, analysing lessons from both successful regional initiatives and what has worked well elsewhere.



## Deep stakeholder engagement

Extensive engagement with over 25 key stakeholders in the region, including investment experts, public sector representatives, academic partners, social enterprises, support organisations, and philanthropic funders.



# Collaborative analysis and validation

Working closely with stakeholders to map regional challenges to investment opportunities and validate emerging insights through feedback sessions. The co-design methodology ensured analysis was shaped by genuine stakeholder input rather than predetermined assumptions.



#### Co-creating recommendations

Collaborative strategy development through roundtable discussions and codesign workshops, with stakeholders developing practical recommendations. This approach ensured local ownership of recommendations.

<sup>6</sup> https://www.northeast-ca.gov.uk/



# Stakeholder-centred research and co-design

Central to the methodology was recognising that sustainable place-based impact investment requires a deep understanding of local context and authentic buy-in from regional stakeholders. The research, therefore, prioritised:



# Diverse perspectives:

Engaging stakeholders across sectors to understand different viewpoints on regional challenges and opportunities, from frontline social enterprises experiencing funding gaps, to public sector leaders grappling with reduced budgets and increased demand.



## Regional expertise:

Drawing on the knowledge of stakeholders who understand the North East's unique context, including its history of innovations, such as NESIF, one of the first place-based funds, and the lessons that can be learned from this work.



#### Collaborative validation:

Using structured roundtables to test emerging findings and co-create recommendations, ensuring the research process itself builds relationships and understanding between potential future partners.

# The North East England 'macroeconomic' context for placebased social impact investment

FOUNDATIONAL STRENGTHS: ANCHOR SOCIAL SECTOR, PHILANTHROPIC, EDUCATIONAL, HEALTH, AND CORPORATE PLAYERS

# A localised, trusted, in-demand (but overworked) social sector

The North East is home to around 6,922 social sector organisations (charities, community groups, and social enterprises, referred to here as SSOs). 2023 research by Durham University and Community Foundation North East found that the UK's social sector is highly localised, with over 60% of SSOs focusing their services within the single local authority area where they are based. On one hand, this focus engenders levels of community trust and knowledge that are critical to delivering effective services. On the other hand, localisation often results in North East SSOs being smaller and less resilient.

Yet North East SSOs contribute significantly to the region, generating £5.86 billion in value, including social and economic wellbeing. Nonetheless, on a per capita basis, this figure is much lower than Yorkshire and Humber and North West England (£2,170 versus £4,200 and £6,170, respectively), with similar numbers of SSOs per population (See Figure 1.).

Figure 1: Distribution of social sector organisations (SSOs) across England and Wales<sup>10</sup>

# 2 3 4 6 7 8

# The distribution and impact of TSOs varies considerably across England and Wales

		TSOs per 1,000 population	Contribution to social and economic wellbeing (£millions)
1	North East England	2.7	5,860
2	North West England	2.7	16,660
3	Yorkshire and Humber	2.6	10,920
4	East Midlands of England	3.0	8,880
5	West Midlands of England	2.8	13,370
6	East of England	3.4	15,730
7	London	4.4	65,860
8	South East England	3.6	31,030
9	South West England	4.2	16,020
10	Wales	3.2	6,630

https://connectedvoice.org.uk/sites/default/files/Attachments/Newcastle%20Sector%20Snapshot%20 2023%20Final.pdf

<sup>&</sup>lt;sup>8</sup> https://www.communityfoundation.org.uk/wp-content/uploads/2023/05/Third-Sector-Trends-2023-People-Places-and-Policy.pdf

<sup>9</sup> Ibic

<sup>&</sup>lt;sup>10</sup> https://www.communityfoundation.org.uk/wp-content/uploads/2023/05/Third-Sector-Trends-2023-People-Places-and-Policy.pdf

Surveys over the last few years indicate demand for services from SSOs has increased, in response to the cost-of-living crisis and increased hardship experienced by many, putting increased pressure on resources. Recruitment and retention of staff is also challenging in places at though as whole the sector has been growing both in workforce and financial resource.

On the funding side, local grant funding is significant, but often not sufficient to support and sustain these organisations. Data from 360Giving<sup>14</sup> shows that more than 50 charitable trusts and foundations award over 4,000 grants a year to charitable organisations in North East England totalling at least £50 million. Professor Tony Chapman of Durham University has argued that this figure is "not enough" to achieve social transformation the region needs.<sup>15</sup>

# Support and leadership by the UK's largest community foundation

Community Foundation North East has grown into the UK's largest community foundation by endowment, with invested assets approaching £100 million as of 2025. Its grant-making often prioritises smaller charities and grassroots initiatives that larger funders might overlook. To target funds where they are needed most, Community Foundation North East periodically publishes 'Vital Signs' reports, which analyse regional data on poverty, health, education, and other indicators, to highlight urgent community needs. This evidence base helps guide philanthropists towards underserved causes. Community Foundation North East has also launched new initiatives to expand the culture of local giving. A notable example is the 'North East Roots' campaign, which encourages people with ties to the North East who have found success elsewhere to 'give back' to their home region. This initiative focuses on boosting funding for social mobility opportunities for young people, and not only seeks financial donations but also pro bono expertise from these diaspora supporters. The foundation has facilitated over £181 million in cumulative grants to local groups since its inception. In doing so, Community Foundation North East acts as a regional philanthropy 'hub,' pooling donor funds, managing endowed trusts, and partnering with national funders to channel resources into North East communities.

Community Foundation North East is complemented in its efforts by Point North, formerly County Durham Community Foundation. Although smaller by asset size (With £19.5m of invested assets and £7 million in grant making as of 2023/24), Point North is an active grant-maker and lever of funds (including through NESIF), focusing its efforts on the southern reaches of the NECA region.

Despite the innovative and steadfast place-based efforts of these and other philanthropic organisations, there are clear gaps and challenges in the region's philanthropic provision. Overall charitable giving in the North East is relatively low, and certainly not commensurate with the level of socio-economic need.<sup>20</sup>

<sup>&</sup>lt;sup>11</sup> https://vcseobservatory.org.uk/static/website/reports/2024/baro07finalreport.pdf

<sup>12</sup> https://pbe.co.uk/media\_office/staff-burnt-out-and-services-halted-due-to-charity-recruitment-crisissurvey-finds/

<sup>15</sup> https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024/

<sup>14</sup> https://www.360giving.org/

<sup>&</sup>lt;sup>15</sup> https://www.communityfoundation.org.uk/funders-achieve-more-by-retaining-their-autonomy-says-new-research-on-grant-making-in-north-east-england/

<sup>&</sup>lt;sup>16</sup> Ibid

<sup>&</sup>lt;sup>17</sup> https://www.communityfoundation.org.uk/

<sup>18</sup> https://pointnorth.org.uk/about/

<sup>19</sup> https://register-of-charities.charitycommission.gov.uk/en/charity-search/-/charity-details/1047625/ accounts-and-annual-returns?\_uk\_gov\_ccew\_onereg\_charitydetails\_web\_portlet\_CharityDetailsPortlet\_ organisationNumber=1047625

<sup>&</sup>lt;sup>20</sup> https://www.cafonline.org/insights/research/uk-local-giving-report-2025

# Strong health and wellbeing foundations through hospitals, research, and primary care support

North East England is home to several leading healthcare institutions that not only provide critical services to the population but also serve as major employers and as hubs of research and innovation. Newcastle's two flagship teaching hospitals, the Royal Victoria Infirmary (RVI) and the Freeman Hospital, and Gateshead's Queen Elizabeth Hospital are consistently rated among the top hospitals in the UK and world.<sup>21</sup> Newcastle's trust alone employs roughly 15,000 staff and has an annual budget of around £1.6 billion. These institutions maintain strong research, innovation, and talent links with higher education institutions, training the next generation of clinicians and scientists.<sup>22</sup>

Beyond the major hospitals, the North East's primary care system has several notable strengths, including relatively high workforce coverage and patient satisfaction levels compared to other English regions. The North East has one of the highest ratios of GPs to population in England. Medical trust levels in the community are higher than the rest of England, as evidenced partially by childhood immunisation uptake being the highest in the country (97.2% uptake for the 5-in-1 vaccine, surpassing the WHO's 95% target and outpacing all other regions). Similarly, North East GP practices historically have scored well on patient experience surveys. Primary care in the region has also been bolstered by recent moves toward integration and innovation. This integration and innovation has led to initiatives like community health hubs, social prescribing schemes, and improved management of long-term conditions at the GP level. Additionally, health innovation hubs are working on telehealth and data analytics tools that enable GPs to identify at-risk patients earlier and tailor interventions. In a region with entrenched, multi-generational poverty and health issues, this system could, in theory, be leveraged better to provide a 'whole person', collective response alongside the work of SSOs and social impact investors.

# A higher education powerhouse that trains and retains talent

The North East's higher education sector is a particular bright spot. The five universities in the North East, including the Tees Valley, (Durham, Newcastle, Northumbria, Sunderland, and Teesside), collectively generate an economic output of about £3.8 billion per year and support some 33,500 jobs. These universities drive research strengths in engineering, medicine, and environmental sciences, while also widening access to education and talent retention. Approximately 77% of graduates remain in the region after finishing their studies (including 56% of medical graduates and 45% of computer science graduates). This strong graduate retention underscores the role of local universities in supplying skilled workers to the regional economy. These institutions have fostered centres of excellence such as translational medical research and engineering innovation. The aim is to better capitalise on local expertise and graduate talent.

<sup>&</sup>lt;sup>21</sup> https://rankings.newsweek.com/worlds-best-hospitals-2024/united-kingdom

<sup>&</sup>lt;sup>22</sup> https://www.newcastle-hospitals.nhs.uk/news/new-partnership-drives-further-diagnostic-innovation-in-the-north-east/

<sup>&</sup>lt;sup>23</sup> https://www.mdpi.com/2076-393X/11/2/288#:~:text=match%20at%20L897%20ratio%20of,an%20impact%20on%20vaccine%20coverage

<sup>&</sup>lt;sup>24</sup> Ibid

 $<sup>^{25}\,\</sup>text{https://transform.england.nhs.uk/covid-19-response/technology-nhs/remote-monitoring-of-healthcare-in-the-north-east/}$ 

<sup>&</sup>lt;sup>26</sup> https://www.universitiesuk.ac.uk/sites/default/files/uploads/Reports/Sustainable-university-funding.pdf

<sup>&</sup>lt;sup>27</sup> https://investnortheastengland.co.uk/north-east-england-works/education-and-training/#:~:text=And%2C%20even%20better%2C%2077%25,retention%20rates%20in%20the%20UK.

At the same time, the North East has historically had a lower proportion of adults with higher-level qualifications (NVQ4+), though this is gradually improving with increased university participation.<sup>28</sup>

# A growing corporate sector that is working to diversify and expand, leveraging local talent

The corporate sector in the North East, though smaller than in some regions, has notable flagship employers. For example, Nissan's automobile manufacturing plant in Sunderland is one of the largest private-sector employers in the North East. Other significant firms include those in software and fintech (the Sage Group was founded in Newcastle in 1981), energy and offshore industries (e.g. major offshore wind and renewable energy projects around the Port of Tyne), and large publicsector employers. These 'anchor' companies and institutions provide a foundation of jobs, skills and investment in the region. However, the North East's economy has relatively fewer corporate headquarters and lower densities of small and medium-sized enterprises (SMEs) than some parts of the UK, a legacy of industrial decline.<sup>29</sup> Much of the business base consists of SMEs and branches, meaning economic development efforts often lean on the anchor institutions, such as universities, hospitals, and local authorities, to lead on strategic investment and innovation.<sup>30</sup> The presence of these entities represents a significant asset for public and social impact investment sectors. However, their concentration and scale underscore the critical need for growth and diversification. Expanding the corporate base would generate meaningful economic opportunities within North East communities while creating leverage points for place-based social impact investment and public sector initiatives through mechanisms such as corporate social responsibility and 'responsible business' partnerships.

There is a growing innovation infrastructure, from business incubators and science parks to specialist R&D facilities. However, the region still lags in overall innovation activity: only about 47% of North East businesses are considered 'innovation active' (engaging in product or process innovation), a lower proportion than the national average.<sup>31</sup> Likewise, the North East receives a smaller share of R&D investment per capita from both public and private sources compared to other UK regions.<sup>32</sup> Government statistics show that R&D expenditure in the North East is around 1.0% of regional GDP, the lowest of any UK region, indicating a need to boost research and development intensity.<sup>33</sup>

<sup>&</sup>lt;sup>28</sup> https://evidencehub.northeast-ca.gov.uk/report/qualifications

<sup>&</sup>lt;sup>29</sup> https://evidencehub.northeast-ca.gov.uk/strategic-evidence-base-economy#:~:text=of%20turnover%20 in%20the%20North,East%20is%20in%20large%20businesses

<sup>30</sup> Ibid

<sup>&</sup>lt;sup>31</sup> https://evidencehub.northeast-ca.gov.uk/strategic-evidence-base-economy#;~:text=The%20scale%20 of%20innovation%20activity,R%26D%20expenditure%20from%20all%20sources

<sup>32</sup> Ibid

<sup>33</sup> https://www.foundation.org.uk/getattachment/96725fdc-eaaa-4595-8504-a81263422fbc/regional-distribution-of-r-d-fst-note-v2.pdf#:~:text=UK%20www,in%20the%20public%20sector%2C

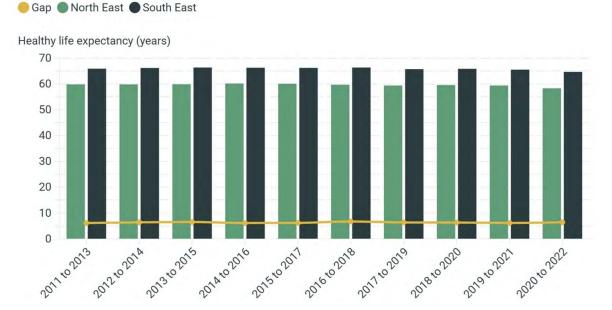
# ENTRENCHED MULTI-GENERATIONAL CHALLENGES: HIGHER HEALTH INEQUALITIES, LOWER LIFE EXPECTANCY, AND MULTIPLE COMPLEX NEEDS

North East England experiences deep-rooted, multi-generational cycles of poverty, reflected in persistent health inequalities, complex social needs, high levels of child poverty, homelessness, and reduced healthy and overall life expectancy. Addressing these entrenched issues requires a two-generational, systems approach that meets the interconnected needs of both caregivers and children, with coordinated support across such areas as housing, education, healthcare, and job training.

# Challenge 1: Basic health outcomes and life expectancy are among the lowest in the UK

Health outcomes in the North East are among the poorest in England. Healthy life expectancy (the years a person can expect to live in good health) is just over 58 years in the North East, over six years shorter than in South East England average.<sup>34</sup> Under-75 mortality rates (from all causes) in the North East are higher than in England overall (416 vs 342 per 100,000 people, respectively).<sup>35</sup> The combination of lifestyle factors and socioeconomic deprivation results in many communities experiencing markedly lower life expectancies than others, even within the North East. The underlying causes of these stark realities are complex and deeply interconnected, ranging from social determinants of health such as homelessness and poor housing quality, to longstanding physical and mental health challenges that begin early in life and persist across generations.

Figure 2: Life expectancies: North East England vs. England average: 2011 - 2024<sup>36</sup>



Looking deeper into root causes, the North East consistently has higher rates of obesity and physical inactivity than the national average, leading to an elevated incidence of cardiovascular and respiratory diseases. Obesity is also more widespread, with 39% of North East adults classified

<sup>&</sup>lt;sup>34</sup> https://ifs.org.uk/data-items/healthy-life-expectancy-north-east-and-south-east-england-compared

<sup>35</sup> https://fingertips.phe.org.uk/search/under%2075%20mortality#page/1/gid/1/pat/15/ati/6/are/E12000001/iid/108/age/163/sex/4/cat/-1/ctp/-1/yrr/1/cid/4/tbm/1

<sup>&</sup>lt;sup>36</sup> https://ifs.org.uk/data-items/healthy-life-expectancy-north-east-and-south-east-england-compared

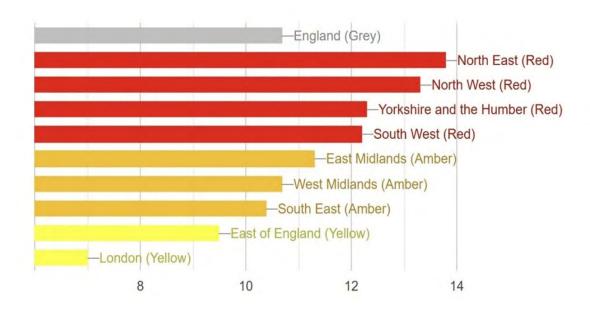
as obese in 2022 (the highest of any region).<sup>37</sup> Correspondingly, levels of physical inactivity are significantly higher in the North East versus the rest of England (27.27% versus 25.7%, respectively).<sup>38</sup> Correspondingly, a smaller share of adults meet physical activity guidelines.<sup>39</sup> Diet-related ill health and substance abuse are also major concerns across the most deprived North East communities.

On a brighter note, the North East recently recorded 'the largest fall in adult smoking since 2005 when 29% of adults in the region were smoking (the highest rate in the country), compared to 11% in 2023. This is a 62% reduction overall and means that smoking rates in the North East are now the second lowest in the country. '40

# Challenge 2: Poor mental health and significant substance abuse

The region also faces persistent mental health challenges (particularly among men), with above-average levels of severe mental health conditions, suicide, and self-harm (especially among young people). The North East has the highest regional suicide rate in England, at about 13.8 per 100,000 people. This crisis is particularly pronounced among men, who account for the majority of suicide deaths. Youth mental health is also a concern, with roughly 12% of children and adolescents in the North East having a diagnosable mental disorder. One stark indicator is self-harm: the North East has the highest hospital admission rate for self-harm of any English region.

Figure 3: Regional suicide rates 2021-2023 per 100,000 people44



<sup>&</sup>lt;sup>37</sup> https://digital.nhs.uk/data-and-information/publications/statistical/health-survey-for-england/2022-part-2/adult-overweight-and-obesity

<sup>38</sup> https://www.risenortheast.co.uk/wp-content/uploads/2024/10/AdultActiveLivesNov2022-23Analysis.pdf

<sup>39</sup> Ibid

<sup>40</sup> https://www.stsft.nhs.uk/news/latest-news/north-east-smoking-rates-fall-second-lowest-country

<sup>41</sup> https://www.zerosuicidealliance.com/regional-dashboards/north-east

<sup>42</sup> Ibid

<sup>&</sup>lt;sup>43</sup> https://healthinnovationnenc.org.uk/wp-content/uploads/2023/06/NEQOS-Analysis-of-suicide-and-self-harm-across-the-North-East-and-North-Cumbria-15.12.2022.pdf

<sup>44</sup> https://www.zerosuicidealliance.com/regional-dashboards/north-east#open-chart

Drug and alcohol addictions are a major and interrelated public and societal health challenge in the North East – both a symptom and a cause of many of the region's challenges. The region consistently records England's worst substance misuse indicators. In 2023, the North East had the highest rate of alcohol-specific deaths of any English region at 25.7 (versus 11.5 in the East of England) per 100,000 population.<sup>45</sup>

The North East has led the nation in drug-related death rates for 11 consecutive years, indicative of entrenched drug abuse problems. 46 Substance abuse goes hand in hand with mental and other physical health challenges and impacts broader social and economic life outcomes such as housing stability, employment, crime, and caregiving negatively impact children 47



Figure 4: Deaths related to drug poisoning by region - 1993 and 2023<sup>48</sup>

These interconnected health and social challenges not only diminish quality of life but also place significant pressure on healthcare and other statutory health and social services. Together, they often give rise to individuals with complex and overlapping needs. Local health officials note that tackling these inequalities requires coordinated, 'whole-person' approaches that address the social determinants of health, rather than siloed interventions.

2023

1993

2008

2023

1993

2008

2023

1993

2008

<sup>&</sup>lt;sup>45</sup> https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/causesofdeath/bulletins/alcoholrelateddeathsintheunitedkingdom/registeredin2023

<sup>&</sup>lt;sup>46</sup> https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsrelatedtodrugpoisoninginenglandandwales/2023registrations

<sup>&</sup>lt;sup>47</sup> https://www.instituteofhealthequity.org/resources-reports/the-impact-of-adverse-experiences-in-the-home-on-children-and-young-people/impact-of-adverse-experiences-in-the-home.pdf

<sup>&</sup>lt;sup>48</sup> https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsrelatedtodrugpoisoninginenglandandwales/2023registrations

# Challenge 3: Cycles of child poverty

While the percentage of children in poverty has recently fallen to 31% (from closer to 38% a few years prior), and is now in line with the national (England and the UK) average, the rate remains significantly higher than the East of England and the South East (23% and 25%, respectively).<sup>49</sup> The region has England's highest rate of children in care, with roughly one in every 88 children in the North East in care (compared to one in 140 nationally).<sup>50</sup> These statistics are linked to underlying adult deprivation. The North East persistently records higher worklessness and lower incomes than elsewhere. For example, the April 2024–March 2025 unemployment rate was 4.5%, compared with 3.6% UK-wide (excluding London), and the economic inactivity rate was 26.3% over the same period (21.8% UK wide, excluding London).<sup>51</sup> It also has the lowest household earnings of any region, with a median full-time pay in April 2024 of £661 per week in the North East, far below London (£853) and the UK median (~£728).<sup>52</sup> More than one in four children in the region living in a household with at least one working parent are now below the poverty line.<sup>53</sup>

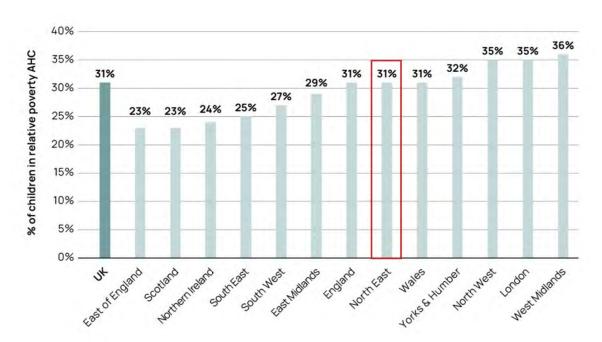


Figure 5: % of Children in poverty by region - 2021/2024 snapshot<sup>54</sup>

Low employment and wages, coupled with long-term benefit reliance, mean many families struggle, children are more likely to be removed and placed in care, and long-term opportunities for young people can appear limited. These conditions fuel a cycle of disadvantage across generations. Additionally, the long-term intergenerational impact of poverty and deprivation is not being addressed and will continue to feed rising demand for services. 55 Analysis by regional experts backs this up: falling living standards for North East families is linked to "poorer educational and health outcomes, reduced opportunities [and] lower productivity". 56

<sup>&</sup>lt;sup>49</sup> https://endchildpoverty.org.uk/child-poverty-2025/

<sup>&</sup>lt;sup>50</sup> https://www.theguardian.com/society/article/2024/jun/18/there-are-too-many-children-in-care-who-could-be-looked-after-by-their-families

<sup>51</sup> https://www.necc.co.uk/tag/employment-stats

<sup>52</sup> https://commonslibrary.parliament.uk/research-briefings/cbp-8456/

<sup>&</sup>lt;sup>53</sup> https://www.tuc.org.uk/news/north-east-has-suffered-44-rise-child-poverty-working-households-2010

<sup>&</sup>lt;sup>54</sup> https://www.theguardian.com/society/2022/jul/12/north-east-england-overtakes-london-as-uks-child-poverty-hotspot

<sup>55</sup> https://www.healthequitynorth.co.uk/app/uploads/Children-in-Care-Report-2024-EMBARGOED.pdf

<sup>56</sup> https://www.ippr.org/articles/what-should-a-north-east-child-poverty-strategy-look-like

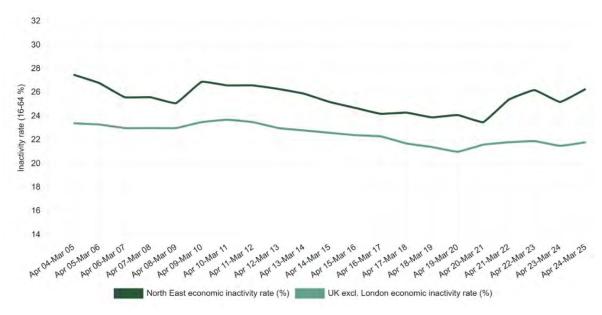
Community leaders also report that many young people have low aspirations due to the lack of good jobs and role models in deprived neighbourhoods.

Beyond the immediate issues of child poverty, there are the broader, longer-term issues that child poverty leads to (often referred to as adverse childhood experiences, or ACEs): housing and employment instability, poor mental and physical health, substance use disorder.<sup>57</sup> These poor child and adult outcomes in the North East are both causes and consequences of deeply rooted poverty that persists across generations.

# Challenge 4: Low employment and employability

North East England faces persistent employment and employability challenges. The region consistently records the highest unemployment and lowest employment rates in the UK, with high levels of economic inactivity.<sup>58</sup>





Long-term health issues significantly constrain the North East's labour force. The region has England's highest rate of work inactivity due to ill health: many people are unable to work or have left the workforce early because of chronic illness or disability.<sup>60</sup> Related to health, the North East also suffers disproportionately from substance misuse. These deep-rooted and chronic health issues directly hinder training and employability.

<sup>&</sup>lt;sup>57</sup> https://www.instituteofhealthequity.org/resources-reports/the-impact-of-adverse-experiences-in-the-home-on-children-and-young-people/impact-of-adverse-experiences-in-the-home.pdf

<sup>58</sup> https://www.necc.co.uk/the-north-east-has-the-highest-unemployment-rate

<sup>&</sup>lt;sup>59</sup> https://evidencehub.northeast-ca.gov.uk/report/economic-inactivity-rate

<sup>60</sup> https://www.ippr.org/articles/working-well-improving-work-health-in-the-north-east

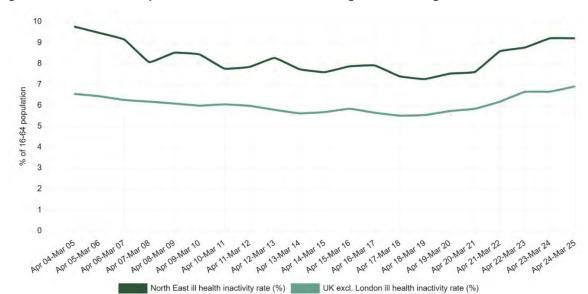


Figure 7: Economic inactivity due to ill health in North East vs England (excluding London) - 2004 - 202561

Another major barrier is the skills gap. Educational attainment and workforce skills in the North East lag behind much of the UK. Just over 40% of the region's working-age residents hold a higher-level qualification (RQF Level 4 or above), significantly below the national average (the North East ranks second-lowest among major UK regions on this metric).<sup>62</sup>

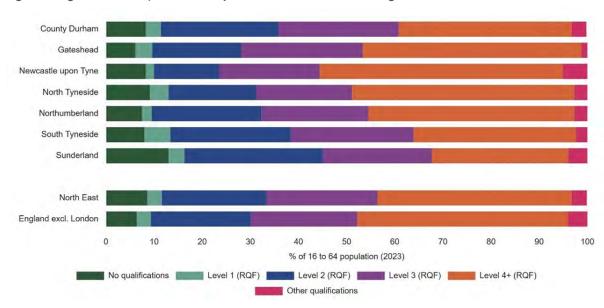


Figure 8: Highest level of qualification by North East council and vs England (2023)<sup>63</sup>

At the same time, 8.6% of North East adults have no formal qualifications at all, one of the highest such shares in the country.<sup>64</sup> These deficits translate into real skill shortages in the labour market. In 2022–23, employers in the North East reported that over 46,500 employees (5.9% of the workforce) lacked full proficiency for their current roles.<sup>65</sup>

<sup>61</sup> Ibid

<sup>62</sup> https://evidencehub.northeast-ca.gov.uk/report/qualifications

<sup>63</sup> Ibid

<sup>64</sup> Ibid

<sup>65</sup> https://evidencehub.northeast-ca.gov.uk/report/skill-shortage-vacancies-skills-gaps-and-employee-

More than 16% of businesses had at least one staff member with significant skills gaps, a higher proportion than seen nationally. This mismatch between workforce skills and job requirements limits productivity and leaves many residents locked out of better-paying jobs. Just as important, only 31% of people in the North East feel that there are good opportunities to progress in their area, a stark contrast to 74% in London who feel the same. Generations of limited job prospects and entrenched poverty have eroded confidence and ambition, especially among youth, creating a cultural challenge alongside the economic one.

Economic factors further compound these issues. Low wages and job insecurity are prevalent in the North East's labour market. Average pay in the region is well below the UK average. Many available jobs are in traditionally low-paid sectors or on unstable terms (zero-hour contracts, temporary roles), meaning employment often does not guarantee a route out of hardship. The result has been a sharp rise in 'in-work poverty': families struggling despite a family member being in work. Housing instability is another intertwined factor: paradoxically, while the North East has some of England's most affordable housing on paper, secure and decent homes are still out of reach for many low-income residents (see next section). A lack of affordable, quality housing, along with rising living costs, means that some jobseekers contend with homelessness or transient living conditions, making it even harder to find and retain employment.

Care leavers are a particularly vulnerable group in the North East's context. In the North East, where overall opportunity is more limited and social support networks may be weaker in deprived areas, care-experienced young people often face even greater hurdles. Many leave the care system with little or no family support, lower qualifications on average, and mental health issues or the lasting impacts of childhood trauma. The transition from care to independent adulthood can therefore, without support, lead to unemployment, homelessness, criminal justice involvement, and a permanent reliance on benefits.

# Challenge 5: Limited quality, affordable housing and support

Housing in the North East presents a dichotomy of relatively low market prices, but persistent affordability and quality issues for local residents on benefits.

On one hand, the North East has one of the most affordable housing markets in England by price-to-income ratios. Additionally, in 2023, the region was the only part of England where the average existing home sold for under five times the average worker's salary. However, local incomes are also the lowest in England, and many households still find even 'affordable' home ownership out of reach. Moreover, access to truly affordable housing is constrained by supply. Social housing stock has diminished over the decades, and new development of affordable homes has not kept pace with need. In many North East communities, waiting lists for council or housing association homes are long, and private rents, while lower than national averages, have been rising faster than wages in recent years.

training

70 Ibid

<sup>66</sup> https://www.gov.uk/government/publications/social-mobility-barometer-2021

 $<sup>^{67}\,\</sup>text{https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/WF_Factsheet_NorthEast.pdf$ 

<sup>68</sup> https://www.ippr.org/articles/homes-children-deserve

<sup>&</sup>lt;sup>69</sup> https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2023#:~:text=Figure%205%20shows%20that%20the,have%20ratios%20higher%20than%20eight

<sup>&</sup>lt;sup>71</sup> https://www.ippr.org/articles/not-as-cheap-as-you-think-housing-in-the-north-east

Poor housing conditions compound the region's social challenges. A significant share (one of the highest in England) of households live in substandard or fuel-poor housing, with around 14–16% of North East households officially in fuel poverty (unable to afford adequate heating). Many homes in the North East are older, energy-inefficient, and suffer problems like damp and disrepair. The North East has the highest average cost to repair a non-decent home of any region, reflecting the extent of dilapidated housing stock. National research by the charity Shelter found that over 1 million children in Britain are growing up in damp, cold, or overcrowded homes, conditions which double the risk of respiratory illnesses like asthma. Children in such housing are also more prone to accidents, mental health issues, developmental delays, and long-term life challenges and poverty that carry on into adulthood.

Meanwhile, housing insecurity has been on the rise. The number of households in temporary accommodation jumped by over 20% in just one year (2022–23), as the cost-of-living crisis and tight rental market hit vulnerable families. To Council housing officers report increasingly hearing from families who cannot afford rent or have been evicted, putting strain on the limited supply of suitable temporary housing. Local authorities report that some homeless families are being placed outside their home area or moved frequently, disrupting children's schooling and support networks.

Rough sleeping is also an increasing issue. On a single night in autumn 2024, outreach teams counted an estimated 124 people sleeping rough across the North East, a sharp increase (up 39% from 89 people the previous year). The increase in rough sleepers is often linked to austerity and gaps in services for people with complex needs. Navigating housing is especially hard for people leaving care or prison and for the chronically homeless, particularly those without money, phones, internet, or service information.

# Challenge 6: Entrenched multiple deprivation amid civil society and public funding pressures

The North East's deprivation is widespread and multi-dimensional, underscoring the need for cross-cutting solutions. According to the Index of Multiple Deprivation (IMD) 2019, almost 19% of all areas in the North East lie in the most deprived 10% of areas in England.<sup>77</sup> Between 2015 and 2019, all seven local authorities dropped in deprivation rankings.<sup>78</sup> Local leaders stress that traditionally siloed approaches by councils will not work and that a holistic strategy is needed to tackle the root causes of deprivation. There are some positive signs: the new devolution deal for the North East (signed in 2024) will bring additional funding and powers to the region, including in skills, transport, and economic development.<sup>79</sup> NECA's strategic economic plans also emphasise inclusive growth, aiming to ensure that investments benefit left-behind communities.

<sup>&</sup>lt;sup>72</sup> https://assets.publishing.service.gov.uk/media/65cca78e13054900118679c1/fuel-poverty-factsheet-2024. pdf

 $<sup>^{73}\</sup> https://www.ippr.org/articles/not-as-cheap-as-you-think-housing-in-the-north-east$ 

<sup>&</sup>lt;sup>74</sup> https://pmc.ncbi.nlm.nih.gov/articles/PMC390240/

<sup>&</sup>lt;sup>75</sup> https://www.homelessnessimpact.org/news/rental-market-changes-push-more-families-into-temporary-accommodation

<sup>&</sup>lt;sup>76</sup> https://emmaus.org.uk/north-east/emmaus-north-east-concerned-over-rise-in-local-rough-sleeping

<sup>&</sup>lt;sup>77</sup> https://evidencehub.northeast-ca.gov.uk/spotlight-analysis/ukspf/communities-and-places

<sup>&</sup>lt;sup>78</sup> https://evidencehub.northeast-ca.gov.uk/report/index-of-multiple-deprivation

<sup>&</sup>lt;sup>79</sup> https://creativecommunities.uk/culture-and-devolution-cc/culture-devo-neca/

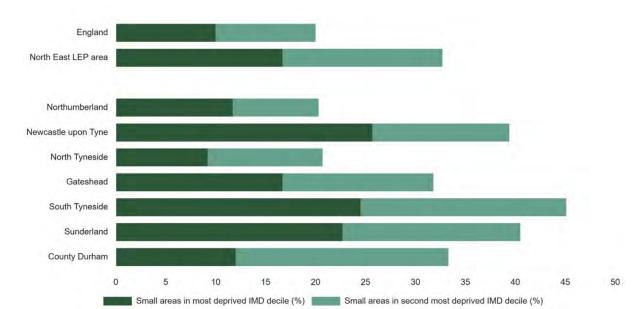


Figure 9: Index of multiple deprivation (2019) by North East Council vs England<sup>80</sup>

Nonetheless, public services remain under acute pressure. Over the past decade, local government budgets in the North East have been severely reduced, constraining the capacity of councils to respond to social needs. By one analysis, the North East saw a 27-28% reduction in council spending power since 2010, nearly double the cuts experienced in some wealthier regions like the South East. Facing severe budget squeezes, NECA local authorities have had to prioritise statutory crisis services at the expense of discretionary and preventive social care services. This has a knock-on effect: issues like mental health, housing, addiction, or family breakdown often escalate without early intervention, ultimately increasing pressure on crisis services in a vicious cycle.

Youth services have been especially devastated, with local authority spending on youth clubs and outreach in the North East dropping by 76% between 2010 and 2018.82 Children's early intervention and family support services (including parenting, youth activities, and mental health programmes) have also been scaled back dramatically.83 These cutbacks, in turn, increase the likelihood of health and social challenges among the most at-risk communities, leading to more severe ills of homelessness, chronic health conditions, care placements, criminal justice involvement, and intractable economic inactivity across generations. These are all costly to the public purse.

Local charities and community groups, which have often partnered with councils on early intervention, have also been strained by funding cuts. Many voluntary organisations relied on grants or contracts from councils that have now been withdrawn. A recent survey by VONNE (Voluntary Organisations' Network North East) found that 35% of local voluntary sector organisations experienced cuts to service funding in 2023–24, leading over half of them to reduce services or cut staff.<sup>84</sup>

<sup>80</sup> https://evidencehub.northeast-ca.gov.uk/spotlight-analysis/ukspf/communities-and-places

<sup>&</sup>lt;sup>81</sup> https://www.sigoma.gov.uk/news/2022/poorest-local-authorities-cannot-afford-to-bear-the-brunt-of-more-austerity

<sup>&</sup>lt;sup>82</sup> https://www.theguardian.com/society/2020/jan/20/youth-services-suffer-70-funding-cut-in-less-than-a-decade

<sup>&</sup>lt;sup>83</sup> https://www.childrenssociety.org.uk/sites/default/files/2022-07/Stopping\_the\_spiral\_Childrens\_Services\_Funding\_Alliance.pdf#:~:text=ln%202020,is%20dominated%20by%20late%20interventions

<sup>84</sup> https://www.vonne.org.uk/temperature-check-survey-summary

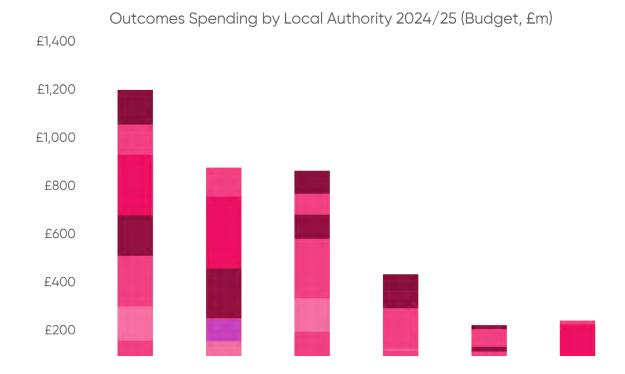


# Stakeholder reflections on social context

The issue that a complex web of interconnected social challenges demands a coordinated, systemic response was often described by the stakeholders we spoke to. However, within this context a number of key themes distinct to the region emerged.

The quotes below illustrate some of the points raised.

Figure 10: Thematic clustering of social issues identified by stakeholders85



<sup>85</sup> This view is subjective, and many of these issues are multi-faceted and interconnected



# POVERTY AND ECONOMIC CHALLENGES

Economic challenges in the North East extend beyond traditional unemployment to encompass broader issues of economic inactivity and limited opportunities. Stakeholders described persistent "generational poverty" and an "aspirations crisis" that threatens to leave the region's most vulnerable behind. This economic disadvantage creates a cycle where "approximately £60 billion of private sector and individual money leaves the region," undermining local wealth creation and investment potential.



# HEALTH AND WELLBEING

Health challenges in the region are characterised by both poor outcomes and significant inequalities. "Health inequalities remain a significant issue, with notable disparities in life expectancy observed across short geographical distances. Some areas experience considerably lower life expectancies than neighbouring communities." Beyond physical health, the region faces persistent mental health issues, suicide, teen self-harm, and substance abuse problems that require comprehensive, long-term interventions rather than crisis responses.



# **HOUSING**

The housing crisis extends beyond simple supply shortages to encompass quality, affordability, and sustainability challenges. "There is a shortage of affordable and social housing, which makes it increasingly difficult for individuals and families to secure stable living arrangements. While new developments are often categorised as affordable, the reality is that many remain out of reach for lower-income households." Additionally, stakeholders highlighted the environmental challenge, noting that "the financial case for retrofitting homes was indirect and not currently financially rational", creating barriers to improving both housing quality and environmental sustainability.



# SOCIAL CARE

Social care funding faces fundamental structural problems that affect service delivery across age groups. "Adult social care funding is fundamentally broken", creating pressures that cascade through the entire care system. These challenges particularly impact transitions between children's and adults' services, leaving vulnerable populations without adequate support during critical periods of their lives.



# **EDUCATION AND SKILLS**

Skills development emerged as both a challenge and an opportunity for the region. Stakeholders emphasised that "talent upskilling creates a better local workforce and quality low-cost housing ensures workforce stability – this is enlightened self-interest." However, the region struggles to translate its educational assets – including five top universities – into improved social outcomes, suggesting disconnects between educational provision and local economic opportunities that require strategic intervention.

# Review of existing funds and performance

A critical component of understanding the North East's place-based impact investment landscape involves reviewing the performance and characteristics of existing funds that have operated in or targeted the region. This section examines those funds, their models, and stakeholder reflections to inform future approaches.

# Overview of the current fund landscape

The North East's impact investment ecosystem comprises several funds with different approaches, sectors of focus, and investment criteria. Three funds represent the core of dedicated impact investment activity in the region: the North East Social Investment Fund (NESIF), Key Fund<sup>86</sup>, and the Big Issue Invest North East Flexible Social Finance Fund<sup>87</sup>. These operate alongside broader regional investment initiatives that, while not exclusively focused on impact investment, play important complementary roles in the ecosystem.

# KEY NORTH EAST SOCIAL IMPACT INVESTMENT FUNDS

Figure 11: Overview of three key North East Funds

## **NESIF**





Fund managed by Northstar Ventures to support social enterprises and charities in the North East.

#### Geography

NE England (Northumberland, Tyne and Wear, Durham, Tees Valley)

#### Fund Size

£9.6m investment, 39 organisations

#### Investment Offer

Loans, with rates between 6–10%. Blended grants totalling £745k was leveraged from Community Foundation North East, Point North, & Access

## Investment Size

£100k - £1m

#### Status

Investment period ended December 2024

# Key Fund



Not-for-profit social investor providing flexible finance to charities and social enterprises.

#### Geography

Midland and North, with strong North East presence – running "deep" place-based initiatives

#### Fund Size

£70m+ invested across 1,500+ organisation

## Investment Offer

Loans 4-12% interest rates, some with blended grant elements

# Investment Type & Size £5,000 - £300,000

Status Active

# BII NE Flexible Social Finance Fund



Partnership between NECA, Big Issue Invest and Power Change focused on 'last resort' funding.

#### Geography

NE England (Co. Durham, Northumberland, Gateshead, Newcastle, N. Tyneside, S. Tyneside & Sunderland)

## Fund Size

£1.2m pilot fund, 50% deployed; 2<sup>nd</sup> round proposed

## Investment Offer

Up to 5-year loans, 6% headline rate (as low as 1% year one), 6-12 month capital repayment holidays

#### Investment Size

£50,000 - £400,000

#### Status

Launch Sept. 2024, target £1m pa over 4 years

<sup>86</sup> https://thekeyfund.co.uk/

<sup>87</sup> https://www.bigissue.com/invest/flexible-social-fund/

# **North East Social Investment Fund (NESIF)**

#### **Fund Structure:**

- Size: £10.2 million fund
- **Geography:** North East England (Northumberland, Tyne and Wear, Durham, Tees Valley)
- Funders: Big Society Capital (£5.85 million), Northern Rock Foundation (£3 million, later novated to Community Foundation North East), Esmée Fairbairn Foundation (£0.75 million), Joseph Rowntree Foundation (£0.5 million), and Northstar Foundation (£0.1 million).
- **Investment model:** Loans (6%-10% interest rates) with blended grants at certain times during NESIF's life [blended did not take place across the whole life of the fund]:
  - Point North and Northstar Foundation jointly provided £180,000 in grants, paid directly to investee companies alongside NESIF loans.
  - Community Foundation North East channelled its grants totalling £150,000 through Northstar Ventures, which then granted them to investees.
  - Access: The Foundation for Social Investment also routed £470,000 in grants through Northstar Ventures to investee companies
- **Investment range:** £100,000 minimum
- Status: Investment period concluded December 2024

NESIF represented the region's most significant dedicated social impact investment initiative to date, and was managed by Northstar Ventures. The fund was specifically designed to provide investment to social sector organisations addressing social challenges faced by the region, with investments typically taking the form of loans to the not-for-profit sector.

# **Key Fund**

#### **Fund Structure:**

- Size: £70+ million invested across 1,500+ organisations nationally
- **Geography:** Midlands and North of England, with strong North East presence through "deep" place-based initiatives
- Funders: Ardevora Charitable Trust, Barrow Cadbury Trust, Better Society Capital, Cabinet Office, Ceniarth, Joseph Rowntree Foundation, Mercers' Charitable Foundation, Power to Change, Reach Fund, Regional Growth Fund, The Access Foundation, The National Lottery Community Fund, The Places Foundation, Unity Trust Bank
- Investment model: Flexible loans (4%-12% interest rates) with some blended grant elements
- Investment range: £5,000 £300,000
- Status: Active

Key Fund operates as a not-for-profit social impact investor providing flexible finance to charities and social enterprises. A significant feature of Key Fund's approach is its use of blended finance, incorporating grants alongside loans, which enables it to support a wider range of organisations than purely commercial-rate funds.

# Big Issue Invest NE Flexible Social Finance Fund

# Fund Structure:88

- Size: £1.2 million pilot fund (50% deployed by early 2025), second round proposed
- Geography: North East England (Co. Durham, Northumberland, Gateshead, Newcastle, North Tyneside, South Tyneside, Sunderland)
- Funders: Big Issue Invest, Power to Change, and NECA
- Investment model: Up to five-year loans, 6% headline rate (as low as 1% in year one), 6-12 month capital repayment holidays
- Investment range: £50,000 £400,000
- Status: Launched September 2024, targeting £1 million per annum over four years

The BII NE Flexible Social Finance Fund represents a recent innovation in the regional landscape, launched through a partnership between the North East Combined Authority, Big Issue Invest, and Power to Change. Positioned as a fund of "last resort" to fill specific market gaps, it offers innovative features, including flexible loan terms. To date the average deal size has been £108,000, but the majority of loans have been smaller than this.

# Wider regional funds and initiatives

Some wider funds and initiatives form part of the social and impact investment landscape:

- LARCH<sup>89</sup>: £4 million place-based programme, one of only six areas in the UK chosen by Access Foundation for Social Investment and Better Society Capital. Hosted by VONNE with Key Fund as the investment partner, LARCH focuses specifically on Redcar & Cleveland and Hartlepool, providing enterprise development support, blended repayable finance, and capacity building.
- Northstar Ventures Innovation<sup>90</sup> and EIS Growth<sup>91</sup> Funds: Northstar Ventures manages a range of equity-based investment vehicles that support early-stage and high-growth businesses across the North East, including the North East Innovation and the EIS Growth Fund. While commercially oriented, they support sectors such as life sciences, clean tech, and healthy ageing that align closely with inclusive growth priorities.
- Venture Sunderland Fund: Launched in 2024, this £15 million initiative specifically targets tech and innovation-based businesses in Sunderland. Managed by Northstar Ventures, the fund reflects a hyper-localised approach to venture capital aligned with municipal ambitions for regeneration and sectoral diversification.
- Northern Powerhouse Investment Fund II (NPIF II): A British Business Bank programme offering debt and equity finance across the North of England, including the North East. With investments ranging from £25,000 to £5 million, NPIF II supports a broad spectrum of businesses, including some with social, environmental, or inclusive growth missions.

<sup>88</sup> In partnership with the North East Combined Authority

<sup>89</sup> https://www.vonne.org.uk/larch-growing-social-enterprise

<sup>90</sup> https://www.northstarventures.co.uk/innovation-fund/

<sup>91</sup> https://www.northstarventures.co.uk/funds/eis-fund/

# FUND PERFORMANCE AND STAKEHOLDER PERSPECTIVES

Stakeholder reflections on existing funds reveal a picture of both achievements and areas for improvement, providing valuable insights for future fund design and implementation. This section provides an overview of this feedback.

Figure 12: Overview of stakeholder feedback of three key North East Funds

# **NESIF**



- Lacked a strong **Theory of Change**; started with funding organisations rather than alignment with local visions and missions.
- Stakeholders highlighted rigid parameters that haven't adapted to market changes, including challenging £100k minimum investment size
- Described as set up more as a "local bank manager" than a strategic investor, with limited capacity for placemaking or innovation in deals.
- Fund constraints (6-10% interest rates, limited to not-for-profit sector) seen as overly restrictive, especially before grant blended in.
- Fund Governance structure and practices may have contributed to slow decisionmaking.

# Key Fund



- Consistently highlighted as effective model due to understanding of local context and flexible approach
- Blended finance approach (grants alongside loans) seen as key strength
- Strong organisational culture and deep local relationships emphasised
- However, challenges noted around achieving scale for small, patient lending
- Limited resource "on the ground" doing place-based pipeline development
- · Deals tend to be smaller and more reactive

# BII NE Flexible Social Finance Fund



- Innovative features like flexible rates (as low as 1%)
- "Fund of last resort" positioning fills an important gap but creates risk management challenges
- Average deal size (£50-70k) significantly lower than expected £100k, suggesting market reality
- Inherited pipeline from NESIF and working collaboratively with Key Fund
- Provides hands-on support, though resource intensive and resource limited
- Question over the ability to address strategic challenges of place

# NESIF: a pioneering place-based fund

NESIF demonstrated several positive features and success, including the blended grant element funded by Community Foundation North East and others, local presence, and long-term patient capital over the 10-year investment period. Northstar Ventures worked hard to tailor investments to suit the needs of its investees and worked to create deals within the context of set funding parameters and limited funding . Investee organisations, including Dance City and Positive Support for You, reported transformative impacts from NESIF investments, with the fund providing essential investment-readiness support and guidance.

However, NESIF faced significant structural constraints that made deploying capital challenging. Northstar, as a fund manager, operated within rigid parameters inherited from the Northern Rock Foundation that proved difficult to adapt, including a £100,000 minimum investment size, 6%-10% interest, and restriction to not-for-profit organisations only. These constraints limited accessibility for smaller organisations and proved overly restrictive as market conditions evolved and a wider range of social enterprise structures have emerged. It was noted that in later years, grants from Community Foundation North East and others, which aligned with the investment (or blended finance), helped facilitate more investment deals.

Stakeholders also noted that NESIF lacked a coherent theory of change from its inception, prior to the appointment of Northstar Ventures. The focus begins by seeking to fund social sector organisations, rather than aligning investments with local visions and missions and a clear focus on impact. Northstar Ventures have described how "at that time [when engaging with local stakeholders] we found it hard to understand what local visions and missions were).

The fund was described as operating initially more like a "local bank manager" than a strategic, place-making investor, with fund governance structures perceived as slowing decision-making processes. Lastly, while NESIF has played a pioneering role in the North East, the capital is currently being repaid to Better Society Capital and the other investors, including Community Foundation North East, without clear opportunities for similar money to be reinvested within the region. As future plans for place-based social impact investment develop, there may be a valuable opportunity for NECA and local partners to explore how recycled capital could be retained and redeployed to strengthen the North East's social impact investment ecosystem.

# Key Fund: An effective regional model

Key Fund received consistently positive feedback, representing what many consider an effective approach to regional social impact investment and an important local partner. Stakeholders highlighted its understanding of local context, flexible approach, and strong organisational culture built on deep local relationships as crucial success factors.

The blended finance approach, incorporating grants alongside loans, was viewed as a key strength enabling support for a broader range of organisations. However, challenges were noted regarding achieving significant scale with small, patient lending, and limited "on the ground" resources for proactive, place-based pipeline development.

# **BII NE Fund: Innovation with implementation challenges**

The BII NE Flexible Social Finance Fund (a partnership between Big Issue Invest, NECA, and Power to Change) is the newest fund in the North East ecosystem, and stakeholders commented on its innovative features and early implementation experiences. Innovations, particularly the fund's flexible interest rates starting as low as 1% in year one, were praised for addressing specific market needs that other funds had struggled to meet. Its positioning as a "fund of last resort" was recognised as filling an important gap in the market, while its collaborative approach of working with Key Fund and inheriting a pipeline from NESIF demonstrated valuable sector coordination.

However, this "fund of last resort" positioning, while addressing an important need, inherently creates risk management challenges that require careful navigation. The average deal size and threshold is still relatively small, reflecting the market reality for many smaller organisations seeking support. It seeks to provide support to investees, which, while valuable, is resource-intensive and is limited by available capacity. A fund of this nature will face challenges in addressing strategic, place-based issues at scale, given its size, remit, and reactive nature.

# LOCAL SOCIAL IMPACT INVESTMENT FUNDS:

# **Strengths and Weaknesses**

The overall picture reveals both strengths and areas for improvement in the North East's impact investment landscape.

# What's working?

- Local understanding and relationships: Funds with deep local knowledge, particularly Key Fund, are effective thanks to established relationships and contextual understanding
- **Blended finance:** The combination of grants alongside loans has supported a wider range of organisations than those reached by purely commercial approaches
- **Collaboration:** Funds working together and sharing pipeline development is a positive sign of collaboration and goodwill in the sector
- Adapting in product design: The BII NE fund's flexible rates demonstrate responsiveness to investee needs

# What can be improved?

- Limited capital attraction, with Better Society Capital data showing the North East is significantly behind other regions in social impact investment
- Deal sizes consistently disappointing, with actual investment sizes typically small, reflecting limited organisational capacity from both fund and investee perspectives
- Poor investment readiness, with organisations lacking financial literacy and struggling with business model development, while management teams are "spinning many plates" and under-resourced
- Infrastructure gaps constrain growth; there is limited enterprise development support (such as training and networking) and poor coordination between stakeholders such as investors, grant funders, infrastructure organisations and commissioners.
- Reactive investment approach, with funds operating more as "local bank managers" than strategic investors, responding to demand rather than driving strategic place-based change

# **Critical lessons for future success**

Three fundamental insights emerge from the above analysis:

- 1. Start with strategy, not demand. NESIF's challenges demonstrate why funds need a clear vision and theory of change before deployment, with flexibility to tailor their approach rather than simply responding to applicants with a prescriptive offer.
- **2.** Blended finance is essential. The impact of blended finance on NESIF's deployment as well as the role it can play in attracting further capital, demonstrates its importance.
- **3.** Ensure that the foundations are in place to deploy capital. Investment readiness challenges are systemic; future approaches should consider the broader capacity and support context rather than expecting social enterprises to be investment-ready from the outset.

# Regional case studies: social impact investment in action

The following case studies demonstrate the transformative potential of impact investment in the North East, showcasing how diverse organisations can successfully leverage patient capital to scale their social impact, develop sustainable business models, and deliver measurable outcomes for communities. These examples illustrate how flexible, place-based investment approaches can support innovation across sectors from arts and culture to social care and healthcare, while highlighting both opportunities and systemic challenges that shape the regional impact investment landscape.

# **DANCE CITY**

Dance City serves as the dance development agency for the North East, operating for 40 years across four pillars: community participation, formal education, workforce development, and art form development. As a National Portfolio Organisation with Arts Council England, and therefore recognised as a leader in its field, it generates 70% of its income commercially through student fees, classes, and community engagement work, with all activities assessed against their impact on arts, learning, and health outcomes.



# Investment approach and structure

Dance City received two rounds of blended finance from NESIF. The first round, completed in June 2021, comprised a £265,000 loan alongside a £115,000 grant from Access – The Foundation for Social Investment's Covid grant scheme. This investment supported the purchase of a property in Heaton, creating Dance City's first capital asset and strengthening its long-term sustainability. The second round, completed in October 2024, provided a £250,000 loan and a £37,500 grant from Community Foundation North East. This funding supported the organisation's growth ambitions and the development of its commercial model.

# Impact on service delivery and sustainability

The investment enabled Dance City to develop innovative commercial approaches, exploring IP licensing models similar to film and musical theatre. Executive Director Catherine Johns explains they needed "a runway to really get this commercial venturing right", as traditional funding models don't support the development of valuable dance IP that could generate long-term returns.

# Investee experience

Catherine Johns praised Northstar's approach as "incredibly helpful and understanding and rapid and flexible," noting that their deep understanding of the North East landscape made the process efficient. However, Dance City identified a funding gap between small grants (£5-10k) and larger social impact investment (£100k+), suggesting need for a clearer "ladder of financial investment" to support organisational development in the region.

# POSITIVE SUPPORT FOR YOU

Positive Support for You is a Community Interest Company that provides bespoke care for adults with complex learning disabilities and autism, following a model of care known as 'Small Supports'. It serves individuals requiring intensive support, emphasising community-based support in service users' own homes with highly individualised. Currently rated 'Outstanding' by the Care Quality Commission, the organisation maintains exceptional staff retention, twice the sector average.



# Investment approach and structure

Positive Support for You has a 14-year history with social impact investment, initially receiving seed funding from the local authority, followed by a decade-long relationship with Big Issue Invest, which provided six-figure working capital loans. Four years ago, Positive Support refinanced with Northstar Ventures, and recently secured a loan under £50,000 plus a grant of under £40,000 from Northstar for expansion into children's services.

# Impact on service delivery and sustainability

CEO Dave Barras describes working capital finance as "absolutely essential" for survival, enabling the organisation to manage NHS and local authority payment delays while maintaining quality care.

# Investee experience

Operating within the field of what Dave Barras describes as "fundamentally broken" adult social care funding, Positive Support for You demonstrates that patient social investment enables high-quality, person-centred care to remain financially sustainable. The model has proven to be replicable – Dave has supported and advised similar "Small Support" organisations in Leeds that have successfully relocated 10 people out of hospital care. However, long-term challenges include succession planning and accessing further funding opportunities.



# WAYS TO WELLNESS92

Ways to Wellness was established in 2015 as a special purpose facilitator delivering social prescribing services for people with long-term conditions in Newcastle. It pioneered the UK's first social impact bond in healthcare, initially focusing on the west of Newcastle where deprivation was higher and life expectancy lower than the English average.



The service supported people aged 40-74 (later expanded to 18-74) with diagnosed long-term conditions including diabetes, COPD, heart disease, and arthritis. Over ten years, the project supported more than 11,000 client across 17 GP practices, demonstrating that social prescribing could be successfully scaled at population level while achieving cost savings across the wider health and care system.

# Investment approach and structure

Ways to Wellness operated through the UK's first healthcare social impact bond, representing a cross-sector collaboration involving Bridges Fund Management as the investor, NHS commissioners, and voluntary sector delivery organisations. The organisation served as the central facilitator, holding contracts with all parties and coordinating service delivery across multiple community partners.

The social impact bond model enabled outcome-based funding tied to measurable health improvements and cost savings, with payments triggered by achieving specific targets around reduced hospital admissions, improved diabetes management, and enhanced wellbeing outcomes.

# Impact on service delivery and sustainability

The project delivered significant, evidence-based outcomes over its six-year evaluation period. Cost savings of £120 per capita were achieved, equating to £1.68 million annually compared to control groups, primarily through reduced non-elective hospital admissions. Clinical outcomes included statistically significant reductions in diabetes indicators (HbA1c levels), increased use of diabetes medications, and reduced antidepressant prescriptions.

 $<sup>^{92}\,\</sup>text{https://www.tnlcommunityfund.org.uk/media/research-documents/social-investment/CBO_ways\_to_wellness\_second\_report.pdf$ 

<sup>&</sup>lt;sup>93</sup> https://www.waystowellness.org.uk/newsblogs/our-inaugural-project-ending-after-ten-years-success

The success enabled expansion from the initial west Newcastle catchment to 17 GP practices citywide, accommodating self-referrals and referrals from other voluntary organisations. The evidence gathered was instrumental in informing the national rollout of social prescribing through NHS primary care networks, demonstrating the model's scalability and effectiveness.

# Investee experience

Despite proven success and a robust evidence base<sup>94</sup>, the Long-term Conditions service was decommissioned by the Integrated Care Board in 2024, having run for ten years. A stakeholder described this as demonstrating how "loss of knowledge and experience in the NHS" can undermine proven impact investment models. They described how a GP practice manager reflected to them: "Where will I now send these people with long-term conditions? I don't have anywhere else that I can send them... They haven't understood the impact on my bit of the NHS of what they've just done."

The decommissioning illustrates systemic challenges in sustaining evidence-based social impact investments with commissioning teams despite clear demonstration of both social and financial returns on investment.

94 https://golab.bsg.ox.ac.uk/documents/CBO\_ways\_to\_wellness\_indepth-review-3rd-report.pdf



# National examples of place-based social impact investment funds

Recent development of place-based impact investment across the UK has seen several innovative models emerge, each building on local assets to address local challenges and needs. These initiatives can provide insights as to what may be possible in the North East.

# KINDRED CIC95

Kindred is a community-owned organisation in the Liverpool City Region established in 2020, supporting socially trading organisations (STOs) – businesses that combine social purpose with commercial activity. With £5 million from the Liverpool City Region Combined Authority and £1 million from Power to Change, Kindred provides STOs with grants, social impact investment, and peer support.



What makes Kindred unique is its sector-led design where 'peer panels' – including previous investees – make investment decisions. It offers patient money at no or low interest, with options to repay through social returns, embodying a 'pay back and pay forward' philosophy. Kindred has invested £2.5 million in 55 organisations, creating over 100 jobs and leveraging £14 million of additional investment while delivering £28.3 million of social impact. As part of the Liverpool City Region Social Investment Pathfinder, Kindred's fund is set to grow to £50 million.



95 https://kindred-lcr.co.uk/

# BRISTOL & BATH REGIONAL CAPITAL (BBRC)<sup>96</sup> AND BRISTOL CITY FUNDS

Established in 2015, BBRC has raised over £70 million to support social enterprises across the South West of England. Working with partners including Better Society Capital and Bristol City Council, BBRC's flagship Bristol City Funds is a £10 million impact investment initiative targeting economic inclusion, environmental transformation, and community development. The fund was designed to align with the Mayor's vision for transformation in the City.

BBRC also manages a target £250 million housing fund and £50-100 million net-zero fund, positioning itself as a catalyst for attracting impact capital into the region. Notable investments include Ambition Community Energy CIC<sup>97</sup> (£0.75m leveraging



£5 million for England's largest onshore wind turbine), Boomsatsuma<sup>98</sup> (£0.5m to double creative education capacity), and Albion Technologies (£0.4m creating 90 green jobs).

# **GREATER CAMBRIDGE IMPACT<sup>99</sup>**

Greater Cambridge Impact is a £10 million, 10-year social impact investment fund addressing regional inequality exacerbated by the area's high-innovation economy. Established with £1 million of catalytic capital from Cambridge City Council, matched by a similar commitment from the Cambridgeshire and Peterborough Combined Authority, the fund will make strategic investments to tackle inequality and related challenges, including child poverty, homelessness, energy poverty, and climate change.

Under Executive Director Sara Allen, the fund has also established a parallel initiative, the Cambridge Pledge. This initiative encourages local entrepreneurs to commit future wealth, providing first-loss capital for a Future Greater Cambridge Fund 2', which aims to scale up successful interventions from the initial £10m fund. In this way, it will create a sustainable pathway for scale and for capturing the region's prosperity, while ensuring benefits are shared with those facing the most significant challenges.

<sup>%</sup> https://bab-rc.uk/

<sup>97</sup> https://ambitioncommunityenergy.org/

<sup>98</sup> https://www.boomsatsuma.com/

<sup>99</sup> https://greatercambridgeimpact.org/

<sup>100</sup> https://www.cambridge-pledge.org/

# **Lessons and implications**

These case studies demonstrate a range of approaches to place-based impact investment. Kindred revolutionises social impact investment through sector-led design and peer governance. BBRC showcases strategic partnerships between local government, foundations, and local stakeholders inspired by the Mayor's vision. Greater Cambridge Impact likewise aligns with local priorities to tackle inequality and improve outcomes, and leverages local assets through innovative investment mechanisms. Each offers valuable insights for developing sustainable, locally-responsive impact investment ecosystems that deliver both financial returns and meaningful social change.



# A stakeholder-informed review of place-based impact investing enablers in the North East

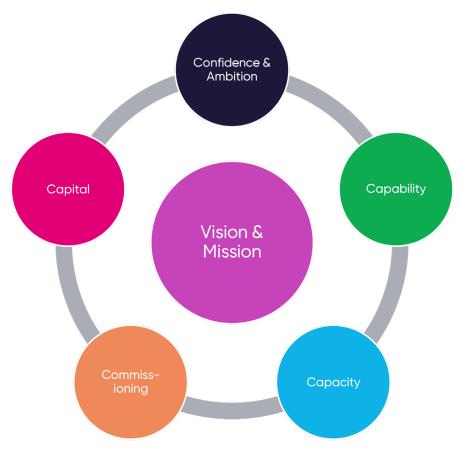
In this section, we outline a model to describe the enablers of place-based social impact investing and use this model to test stakeholder perceptions of strengths and areas for improvement in the Northeast.

# A PLACE-BASED FRAMEWORK FOR SOCIAL IMPACT INVESTING

Understanding the conditions necessary for effective place-based impact investment requires a comprehensive view of the local ecosystem. Through our research across the North East and drawing from international best practice, we have developed a framework that identifies six foundational elements essential for creating sustainable, impactful place-based investment environments.

The **Place-Based Foundation Framework** for Social Impact Investing recognises that successful impact investment extends far beyond the availability of capital alone. It requires an interplay of local leadership, institutional capacity, strategic vision, and supportive infrastructure. Each element builds upon and reinforces the others, creating the conditions for investment to drive meaningful social change at scale.

Figure 12: Place-Based Foundations Framework



The Framework has at its centre the **Vision and Missions** of a place; this forms the cornerstone of effective place-based investment, requiring stakeholders to unite around a shared understanding of local challenges and opportunities. Without this partnership, efforts remain fragmented and impact is diluted across competing priorities.

This vision and mission catalyse and are supported by five foundations:

- 1. Confidence & Ambition reflects the willingness of local leaders, anchor institutions, and impact organisations to embrace risk, drive transformative change, and use investment as a tool for community enhancement. This element recognises that meaningful change requires bold leadership and institutional courage.
- 2. Capability encompasses the practical skills and organisational capacity needed to develop sustainable business models, manage finance effectively, and deliver measurable impact. This includes everything from financial literacy among social enterprises to sophisticated fund management expertise.
- **3.** Capacity & Coordination addresses the infrastructure and resources required to support impact organisations, develop investment opportunities, and facilitate capital deployment. This includes both physical infrastructure and the networks that enable collaboration and knowledge sharing.
- **4.** Commissioning recognises the critical role of public sector procurement and service design in creating sustainable revenue streams for impact organisations. A systems stewardship approach that embeds social value, rewards innovation, and provides long-term stability is essential for investment to thrive.
- **5.** Capital represents the diverse funding and investment mechanisms needed to support organisations at different stages of development and scale. This includes not only impact investment funds but also grant funding, mainstream finance, and philanthropic capital.

# APPLYING THIS FRAMEWORK IN THE NORTH EAST

We used this framework to structure stakeholder feedback and analysis gathered through our research, including insights from Round Table 1 participants: Rob Williamson (Community Foundation North East), Emma O'Rourke (Northstar Ventures), Peter Deans (NESIF Investment Committee Member), Gillian Dickson (Esmée Fairbairn Foundation), Alistair Conn (NESIC), Anthony Ross (Bridges Fund Management /Northstar Foundation), Denise Holle and Anna Spencer (Joseph Rowntree Foundation), James Burrows (Better Society Capital), and Dominic Llewellyn, Jack Scriven and Dan Peck (AchieveGood).

Figure 12: Place-Based Foundations Framework

Place-based foundation	What we heard
Vision & Mission	<ul> <li>Local funds have lacked strategic partnership with local leadership and are not embedded in regional growth agendas</li> <li>There's a real opportunity for better coordination and connection of local government visions and growth agendas</li> <li>Need to identify what problem we're trying to solve before designing fund structures</li> <li>Focus should be on impact rather than corporate structures</li> </ul>
Confidence & Ambition	<ul> <li>Many organisations prefer grants over repayable finance, showing limited appetite for loan or equity investment</li> <li>Preference is partially linked to limited 'financial product literacy' and difficulties developing sustainable business models</li> <li>This leads to challenges deploying investment and investees requiring more support before and after investment</li> <li>NESIF demonstrated the need for social impact investment locally, but fund parameters were too rigid</li> </ul>
Capability	<ul> <li>Attracting experienced managers is a challenge, limiting strategic and operational capacity</li> <li>Many teams are overstretched, affecting delivery and slowing progress towards investment readiness</li> <li>Need for embedded capacity-building, including incubators and delivery support</li> <li>Better 'financial product literacy' could help teams plan for and engage with investment</li> <li>Trustee risk aversion and unfamiliarity with social impact investment concepts limits organisational development</li> </ul>

Capacity & Coordination	<ul> <li>Limited dedicated infrastructure for enterprise development with fragmented coordination between support providers, funders, and public sector bodies</li> <li>Disconnect between the impact economy and wider regional growth agendas</li> <li>Need for neutral convenor with mandate to bring together stakeholders around shared investment vision</li> <li>Current funds are relatively reactive rather than proactive in pipeline development</li> <li>Stronger integration with commissioners, anchor institutions, and combined authorities needed</li> </ul>
Commissioning	<ul> <li>Limited or challenging commissioning from local authorities impacts investment security</li> <li>Systemic inertia in commissioning due to funding pressures and staff turnover</li> <li>Need for better partnership between commissioning and capital investment</li> <li>Opportunities for outcomes-based commissioning and integration of social value</li> <li>Differences between neighbouring local authorities make it harder for social impact organisations to navigate and scale</li> <li>Positive examples from Gateshead (three-year, inflation-proofed grants) and Newcastle (advance payments) show change is possible</li> </ul>
Capital	<ul> <li>Funding exists, but limited pipeline and smaller deal sizes reflect challenges in accessing it</li> <li>NESIF's original design was misaligned with recipients' needs and capacity (£100k minimum too high)</li> <li>Gap between £5-10k grants and £100k+ investments calls for more varied, scale-appropriate capital</li> <li>Heavy reliance on public funding, limited philanthropic engagement, and scarce patient capital constrain early-stage development</li> <li>Around £60 billion in private wealth leaves the region annually, highlighting untapped local capital</li> <li>Need for blended finance models and concessionary capital to de-risk deals</li> </ul>

# Opportunities for place-based social impact investment in the North East

The North East presents a compelling case for impact investment. A review of local authority published accounts and budgets shows that local authorities spend around £4 billion annually on social outcomes-related activities 101. This substantial public expenditure represents a significant opportunity for innovative financing that improves outcomes while reducing long-term costs.

Figures 13 & 14: Overview of the region and outcomes spending by local authority



The indicative spending profile, derived from budget analysis, is concentrated across six primary areas: adult social care & wellbeing (~£1.2bn), education & skills (~£850m), children's services ~(£800m), environment (£~400m), place & regeneration (£200m), and public health (~£200m). This indicates the areas where impact investment could help improve outcomes and reduce costs, through preventative interventions and innovative of delivery models. Local authorities in Durham, Gateshead, Newcastle, Northumberland, South Tyneside, and Sunderland have all identified this as an opportunity.

<sup>101</sup> Figures are indicative based on desk research of published accounts and budgets for relevant authorities.

# PARTNERSHIP WITH LOCAL VISION AND PRIORITIES

Any impact investment strategy must align with the region's stated priorities and vision. North East Mayor Kim McGuinness has established **tackling child poverty as her number one priority**, <sup>102</sup> providing a clear focal point for investment opportunities and a supportive policy environment.

The Mayor's broader economic vision<sup>103</sup> is built on three key strands that create multiple entry points for impact investment:

- Improving the foundational economy: The focus on strengthening local economic foundations aligns with impact investment models that support community enterprises, social businesses, and alternative ownership structures that keep wealth circulating locally.
- Delivering the green jobs revolution: The transition to net zero creates opportunities for community energy projects, retrofit programmes, and sustainable transport solutions that can deliver both environmental and social returns.
- Making regional pride a key economic driver: Investment in arts, music, culture, and sport presents opportunities for community asset ownership, cultural enterprise development, and place-based regeneration initiatives.

Partnerships between public sector priorities and impact investment objectives create strong conditions for successful partnerships and outcomes-based commissioning.

# EXAMPLES OF INVESTABLE OPPORTUNITIES FROM ELSEWHERE

Drawing from successful models from across the UK, the following examples demonstrate proven approaches that could be adapted for the North East context.

## Child poverty and early years

## AllChild (formerly West London Zone)104

Model: AllChild provides a two-year, personalised and intensive package of support tailored to each child's unique strengths, needs and aspirations, working with over 2,800 children and young people through monthly campus-based sessions.



- Improved outcomes: Children from disadvantaged backgrounds build social, emotional, and academic skills to get on track to thrive in adulthood.
- Investment structure: Uses social outcomes partnerships, where communities work towards shared outcomes with pooled funding via an independent organisation. Bank of America became the UK's first private commissioner of education outcomes in [YEAR], with a \$1m commitment to fund delivery to 1,000 children over three years, unlocking an additional £500,000 of UK central government funding.
- Returns: Payment-by-results model where investors are repaid only when measurable outcomes are achieved, with a prevention focus, reducing the need for costly crisis interventions.

https://www.northeast-ca.gov.uk/child-poverty-reduction-unit

<sup>103</sup> https://www.northeast-ca.gov.uk/about/the-mayor

<sup>104</sup> https://www.allchild.org/

# Children's care public service innovation

#### We Are Juno CIC<sup>105</sup>

 Model: Not-for-profit children's residential care homes designed to keep children close to the local community, with relationship-centred approach using social pedagogy and trauma-informed practice.



- Improved outcomes: High-quality care placements in local community, rated 'Good' in all areas by Ofsted, disrupting profit-driven models.
- Investment structure: Financing includes loans from Wirral MBC (£1m, 7.5%, 10 years), Liverpool City Region Combined Authority (£800k, 5%, 10 years), private social impact investor capital (£850k, 7.25%, 10 years). Income generated through providing essential children's services to local authorities, with surplus funds repurposed for early help and prevention work. The model demonstrates how social impact investment can improve outcomes and displace profiteering private providers.

# **Supported housing**

#### Genesis and Resonance

• **Model:** Not-for-profit housing provider providing housing for families who are homeless or at risk of homelessness.



- Improved outcomes: Increases access to safe, affordable, and professionally managed homes for families in homelessness or at risk of homelessness, helping them secure stable housing and avoid cycles of housing insecurity.
- Investment structure: £76 million Resonance National Homelessness Property Fund 2 (2020), purchasing and refurbishing homes to a high-quality and environmental standard before leasing them to housing partners in Greater Manchester, Bristol, Oxford, London and Liverpool City Region to house people and families at risk of homelessness.

<sup>105</sup> www.wearejuno.org

## Economic inclusion and community resilience

# **Nudge Community Builders**

 Model: Social enterprise acquiring and repurposing vacant buildings, creating spaces that benefit communities directly through housing and business opportunities.



- **Improved outcomes:** Renovation provides both housing providers and business startup spaces with inclusive rent packages, fostering local entrepreneurship.
- Investment structure: A property acquisition and development model that generates returns from property appreciation and rental income through providing affordable tenancies.

#### Kirklees Better Outcomes Partnership<sup>106</sup>

 Model: Social outcomes partnership with coordinating organisation funded by social impact investor Bridges, remodelling homelessness services under outcomes-based commissioning.



- Improved outcomes: Increased flexibility on frontline services and improved performance management, with achievements consistently exceeding targets in assessment, stability, and wellbeing outcomes.
- **Investment structure:** Social impact investor provides upfront funding with repayment linked to achievement of measurable outcomes.

#### Energise Barnsley<sup>107</sup>

 Model: Community benefit society installing solar panels on council-owned homes, creating largest local authority and community energy rooftop solar project in the UK.



- Improved outcomes: Tackles fuel poverty by providing free renewable energy to vulnerable households. Generated over 5,513MWh of clean energy, saving more than 2,900 tonnes of CO2, and creating almost £280,000 in collective savings for tenants.
- Investment structure: £2 million in funding through £1.2m loan from Charity Bank and £800,000 retail bond with minimum £100 investment, plus £3.3m raised through subsequent bond issues. Investors receive target returns of 4%-6% per annum through feed-in tariffs from surplus energy sold to National Grid, with 100% of surplus profits funding community initiatives.

<sup>106</sup> https://www.kirkleesbetteroutcomespartnership.org/

<sup>107</sup> https://energisebarnsley.co.uk/



# Recommendations

Through extensive stakeholder engagement and analysis of NESIF's experience, the North East has shown both significant achievements and critical gaps that must inform the next generation of impact investment.

The region stands at a unique moment of opportunity, with £4 billion in annual social outcomes spending, established networks like VONNE, and Mayor Kim McGuinness's clear commitment to tackling child poverty as the number one priority.

The North East has an opportunity to take a bold step forward in reimagining place-based social impact investment. Building on the lessons of NESIF and recent innovations across the UK, the next chapter should focus on co-designing a new investment vehicle that is rooted in the region's priorities, shaped by its stakeholders, and designed to scale impact for years to come.

We recommend that the Community Foundation North East, the North East Combined Authority, and other key regional stakeholders come together to co-design a new place-based social investment vehicle, drawing on the models of Kindred (Liverpool), BBRC (Bristol), and Greater Cambridge Impact. This vehicle should focus on unlocking capital to address the region's most urgent challenges, from child poverty to health inequalities, while enabling local enterprise, innovation, and resilience.

# STRATEGIC PRIORITIES FOR ACTION:

# Co-Design a North East Place-Based Investment Vehicle

Bring together philanthropic, public, and social investment partners, led by the Community Foundation North East and NECA: to co-design a fund that can pool, blend, and deploy capital aligned with regional missions.

- Structure the design process around shared values, target outcomes, and community priorities, building on existing networks like VONNE and the region's 1,500+ COVID response volunteers.
- Embed a governance model that enables participation by local communities and social sector leaders, drawing on the peer decision-making approaches proven successful in Liverpool and Bristol.
- Ensure the fund can accommodate blended finance models that research shows have been most effective in supporting North East organisations, with patient capital and flexible terms tailored to community-led organisations.

# 2 Align with Regional Strategy and Political Momentum

- Leverage the Combined Authority's strategic commitment to inclusive growth, tackling child poverty, and building regional pride to ensure the vehicle is embedded in long-term economic and social plans, whilst maximising the region's new devolution powers.
- Position the vehicle to deliver against Mayor Kim McGuinness's child poverty priority and regional devolution ambitions, recognising that 31% of North East children still live in poverty
- Build strong links with commissioners and anchor institutions to strategically leverage the £4 billion in annual social outcomes spending across adult social care, education, children's services, and public health.
- Embed social value in procurement processes and support innovative delivery models that can address the region's systemic challenges.

# 3 Learn from Other Models and Tailor to Local Context

Use lessons from Kindred, BBRC, and Greater Cambridge Impact to inform design – but adapt to the unique strengths and needs of the North East, including its strong anchor institutions, world-class universities, and established corporate presence.

- Prioritise peer decision-making, community governance, and long-term stewardship of capital, recognising the region's collaborative heritage and crosssector partnership experience demonstrated through initiatives like Ways to Wellness.
- Ensure a strong focus on local wealth building, enterprise development, and social innovation that builds on the North East's emerging innovation ecosystem in biotech, green-tech, and gaming.
- Address the 'aspirations crisis' identified in research, where only 31% see good local opportunities compared to 78% in London.

# 4 Create a Flexible Investment Pathways and Support Systems

Design capital flows to match the size, stage, and readiness of organisations across the region; from micro-grants to six-figure loans or equity, addressing the funding gaps that have constrained previous initiatives.

- Move beyond the reactive approaches of previous funds to proactive pipeline development aligned with regional priorities.
- Embed investment readiness, mentoring, and enterprise support into the model from the outset, delivered through trusted local partners to address the capability building needs identified in stakeholder research.
- Create peer learning networks connecting established and emerging social enterprises, building on the region's demonstrated capacity for community engagement.

# 5 Build Momentum and Attract New Capital

Use this initiative to crowd in philanthropic capital, catalyse public investment, and demonstrate to institutional investors that the North East is investable and there are opportunities to tackle the significant social challenges.

- Consider launching a pilot fund (e.g., £10 to 20 million) with a clear theory of change and early demonstration projects that can showcase the region's potential and build confidence for larger investments.
- Develop a roadmap to grow the vehicle over time; with ambition to scale to £50–100 million by leveraging further contributions from the region's strong anchor institutions, including the NHS, HMRC, and established corporates like Greggs and Barbour.
- Create strategic blended finance mechanisms that combine the Community
  Foundation's expertise, NECA's convening power, and private sector investment to
  unlock mainstream capital into impact opportunities.

With Mayor McGuinness's leadership on child poverty, growing recognition of the North East as an investable region with world-class assets, and the momentum created by this comprehensive stakeholder engagement process, now is the moment to transform aspiration into action and establish the North East as a model for place-based social impact investment across the UK.

# **Conclusion**

The North East has laid important foundations for place-based social impact investment over the past decade. NESIF and other initiatives have demonstrated what is possible when patient capital is deployed locally, providing valuable lessons about the importance of blended finance, proactive investment strategies, and supportive infrastructure.

This review highlights both the region's strengths and structural gaps that need addressing. Strong civic institutions, an engaged voluntary sector, nationally significant anchors, and £4 billion in annual social outcomes spending provide a solid platform for development. However, persistent challenges, such as 38% child poverty, health inequalities, and economic inactivity, demand a more coordinated approach.

There is now a real opportunity. With Mayor Kim McGuinness's leadership on tackling child poverty, renewed devolution powers, and growing investor interest, the conditions are aligned for transformation. One path forward stands out: the Community Foundation North East and NECA should co-design a new place-based social investment vehicle, learning from successful models like Kindred and BBRC, starting with a £10-20 million pilot and scaling to £50-100 million.

This approach requires clear priorities, coordinated leadership, innovative blended finance structures, and sustained organisational support. The recommendations provide a roadmap for transformation; building on demonstrated strengths, embedding collaboration, and ensuring investment contributes meaningfully to inclusive growth and better outcomes across the North East.

# **Appendices**

# **APPENDIX 1: STAKEHOLDERS CONSULTED**

Name	Organisation
Rob Williamson	Community Foundation North East
Emma O'Rourke	Northstar Ventures
Naomi Allen Seales	Northstar Ventures
Ian Richards	Northstar Ventures
Antony Ross	Northstar Foundation / Bridges / Greater Cambridge Impact
Alistair Conn	NESIC
Catherine Young	NESIC
Ian McElroy	Tier One Capital
Matt Smith	Key Fund
Denise Holle	Joseph Rowntree Foundation
Gillian Dickson	Esmée Fairbairn Foundation
Meena Bharadwa	Access Foundation
Martin Brooks	Vonne
Carol Botten	Gateshead Council
Alastair Davis	Social Investment Scotland
Lisa Goodwin	Connected Voice
James Burrows	Better Society Capital
Michelle Cooper	Point North
Tony Chapman	Durham University
Andrew Mitchell	NE Finance
Mark Stamper	NECA
Liz Shutt / Eleanor Hazel	Newcastle University
Sarah Glendinning	Northumbria University
Lucy Armstrong	Alchemists / Port of Tyne / NESIC
Charlotte Carpenter	Karbon Homes
Catherine Johns	Dance City
Dave Barras	PS For You
Peter Deans	Consultant ex NESIC regional initiatives

# APPENDIX II: GLOSSARY

#### **Anchor Institution**

Large, stable organisations deeply embedded in a specific location through their mission, significant capital investments, and sustained relationships with local customers, employees, and suppliers. In the context of the North East, examples include universities, hospitals, local authorities, and major corporations, all of which drive strategic investment and regional innovation.

#### Co-Design

A collaborative approach involving active partnership and engagement with stakeholders. This methodology ensures that solutions are practical, contextually appropriate, and deeply informed by local knowledge. Co-design processes typically include diverse sectoral perspectives, leveraging regional expertise, and structured workshops or roundtables for iterative feedback and consensus-building.

#### **Investment Readiness**

The extent to which an organisation has the necessary structures, capabilities, and understanding to effectively use and manage external investment. Enhancing investment readiness often involves strengthening financial management, governance, strategic planning, and operational capacity.

### **Patient Capital**

Long-term financial investment characterised by extended time horizons and more flexible repayment terms, designed to allow organisations sufficient time to scale operations, achieve sustainable outcomes, and generate lasting social impact.

### Social Sector Organisation (SSO)

Organisations, including charities, community groups, and social enterprises, whose primary aim is to create positive societal or environmental outcomes rather than to generate profits for shareholders. These organisations play a critical role in delivering community services and driving social impact.

### **Stakeholder Centred Research**

A research approach that actively involves and prioritises the perspectives, experiences, and needs of individuals or groups (stakeholders) who are directly affected by, have influence over, or hold an interest in the research topic or outcomes.



# **ABOUT ACHIEVEGOOD**

AchieveGood helps local and national governments, non-profits and corporates to maximise impact and diversify revenue by building the best partnerships across sectors.

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