DEMOS

THE QUIET REVOLUTION

MOBILISING SOCIAL IMPACT INVESTMENT TO AMPLIFY RELATIONAL REFORM

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ABOUT DEMOS'S POWERING PUBLIC SERVICE REFORM PROGRAMME

This paper is part of Demos's *Powering Public Service Reform* programme.

Building on the success of the Future Public Services Taskforce, *Powering Public Service Reform* – launched in July 2025 – aims to understand and overcome the deep, systemic barriers that hold back genuine reform. Despite a growing consensus around services that are preventative, joined-up, and people-centred, too often promising ideas falter once they encounter the machinery of Whitehall. Risk aversion, siloed structures, and short-termism remain powerful forces that distort or derail innovation.

The programme will combine research, convening and practical experimentation across five core workstreams:

- **Culture:** tackling the norms of hierarchy, central control and risk aversion that limit innovation.
- **Accountability:** reshaping systems that currently reward compliance and outputs over outcomes and learning.
- **Funding:** shifting fiscal frameworks that drive short-term crisis management instead of long-term prevention.
- **Digital enablement:** ensuring technology is used to transform services, not entrench old ways of working or simply to cut costs.
- **Communications and narrative:** finding more accessible, resonant ways to make the case for reform with political insiders, to enable the proliferation of ideas across the country, and to engage the public in the process.

At its heart, Powering Public Service Reform is about focusing relentlessly on changing the system – shining a light on why reforms stall, developing and testing solutions to unlock progress, and building a coalition of reformers across government and beyond to make them a reality.

INTRODUCTION

Government has made clear its commitment to harnessing impact capital at scale. The establishment of the Office for the Impact Economy (November 2025) for the first time gives structural visibility at the heart of Whitehall, for a movement over 20 years in the making.

The economic appeal is clear. Harnessing philanthropic, social impact and institutional capital has potential to inject much needed investment, facilitate innovation and shoulder risk that would be untenable for statutory funders. What's more, the UK has one of the most developed impact economies in the world, and benefits from an active and expert sector committed to supporting government to embed impact investment approaches, most recently through the work of the Social Impact Investment Advisory Group (SIIAG).

However, for Demos, the potential of the impact economy goes beyond simply easing funding flows. The impact capital agenda requires mobilisation and is fundamentally relational:

- ***Mobilisation:*** The impact economy is built on shared ownership of social problems. This shared ownership not only unlocks new, innovative solutions, but also asks something of all actors, from government to civil society, corporates and citizens. This shared ownership is emblematic of the new ways of working – a 'New Deal' – that Demos views as essential to repairing broken relationships in our democratic system.
- ***Relational reform:*** The current government's commitment to collaboration with the impact economy is not just about shifting funding flows, but offers an opportunity to shift behaviour across Whitehall. Access to capital is a powerful incentive, and when that access is dependent on strong relationships, a focus on outcomes and collaboration, it has potential to embed greater collaboration and change attitudes to risk and accountability.

With the right narrative and leadership, impact investment could form a core component of the government's public service reform agenda and drive new, collaborative and innovative ways of working across Whitehall. The SIIAG's report and government's response signals strong intent and offers practical steps towards mainstreaming government partnership with the impact economy. However, we know too well from previous reform agendas[1] that the Whitehall system can prove an inhospitable habitat, resistant to change and riddled with perverse incentives that promote siloed working and risk aversion.

This paper explores how embedding the impact investment agenda at scale within government could catalyse a broader mobilisation mindset and more relational ways of working. We argue that Social Impact Investing (SII) could play a powerful catalytic role in amplifying the quiet revolution happening in relational reform under the current government. This reform agenda – spanning seemingly disparate programmes such as Test Learn and Grow and Pride in Place – centres relational, preventative and place based solutions in the public service reform agenda.

1 Demos (2025). The Human Handbrake. https://demos.co.uk/research/the-human-handbrake-how-whitehall-culture-holds-back-public-service-reform/

Applying Demos research and insight into the pre-conditions necessary for relational reform and drawing on conversations with civil servants, sectoral experts, practitioners, and reformers, we identify four enablers. These enablers are the shifts needed in Whitehall culture, accountability, narrative and skills to both sustain momentum around the SIIAG recommendations.

Most importantly, we argue that SII needs to be firmly situated within a wider narrative for reform within government, aligned with and learning from other relational reform initiatives. The quiet revolution needs to become noisier in order to achieve it's potential. This narrative needs to both unite the reformers in the civil service, but also engage the 'uninitiated' – civil servants across government who feel distant from, lack confidence, or are downright sceptical of the relational reform agenda.

THE ENABLERS & DEMOS RECOMMENDATIONS

1. **Preserving the 'outsider energy'**

   - The Office for the Impact Economy should align and share learning with other reforming initiatives within government, such as *Test, Learn and Grow* and *Pride in Place*, with potential for place-based, cross-sector approaches to benefit from SII models. The Cabinet Office should extend successful efforts to convene (e.g. the regular Test, Learn and Grow conferences) to join up disparate policy teams and build the relational reform movement.
   - The Office for the Impact Economy should be viewed as a facilitator, rather than an owner of the SII agenda within government. This requires maintaining an outward looking perspective, and acting as a conduit for connection and new ideas into government.

2. **Maintaining momentum and accountability**

   - The Cabinet Office should commission a formal SIIAG progress report after 12 months to assess delivery, barriers, and next steps.
   - Thereafter, an annual cross-government stocktake, using Demos's mission stewardship framework, should assess social impact capital mobilisation.[2]
   - The work of the Office of the Impact Economy should align with existing government work on preventative spend, such as Treasury efforts to account for preventative spend (building on Demos's proposed Preventative Departmental Expenditure Limits').[3]

2 Demos (2025). Mission ready nation. https://demos.co.uk/research/mission-ready-nation-enabling-mass-mobilisation-around-national-missions/

3 Demos (2023). Revenue, capital, prevention: A new public service framework for the future. https://demos.co.uk/research/revenue-capital-prevention-a-new-public-spending-framework-for-the-future/

3. Extending the reach of SII

- The Office for the Impact Economy education and training initiatives should prioritise teams working on existing place-based, preventative, and relational reform programmes, where SII is most likely to complement existing reforms.
- The formalisation of 'collaborative design sprints' as recommended by the SIIAG should be extended to include broader relational reform initiatives.

4. SII as part of a broader movement

- The Cabinet Office, led by the Parliamentary Secretary, should lead the development of a narrative that tells the story of relational reform to join up disparate initiatives, and enable connection and learning.

PART ONE
THE DEVELOPMENT OF THE UK'S IMPACT ECONOMY AND THE WIDER CONTEXT FOR REFORM

RELATIONAL REFORM: THE WIDER CONTEXT

Demos has long argued for person-centred, preventative and liberated public services that shift power away from the centre. Our current programme, Powering Public Service Reform, examines the cultural and structural drivers in Whitehall that block relational reform. When Whitehall is built on hierarchy, risk aversion and new public management, it's no surprise the system struggles to deliver reforms that fundamentally contradict those organisational principles.

Much has been documented about the challenges of governing since the Labour government's election 18 months ago on a mandate of 'change' and with 5 grand missions, including brutal economic headwinds and an increasingly polarised political context.

Yet beyond the headlines and seeded across government are signs that new, relational ways of working are taking root. Initiatives like *Test, Learn and Grow*, the *Civil Society Covenant* and *Pride in Place* show willingness to work with local places, civil society, and business to deliver differently. This progress is encouraging – but is currently a quiet revolution, at the margins rather the heart of the government's reform agenda.

Look closely enough, and it is possible to piece together this growing but unarticulated story of reform: delivered in focussed ways at the pinch points in public services (the Better Futures Fund), using smaller scale to side-step systemic risk aversion (Community Help Partnerships), and devolving decision-making to places and communities (Pride in Place). The conviction amongst some reformers is that this incremental approach – modelling new ways of working and demonstrating success – will trigger a quiet revolution across Whitehall.

The risk inherent in this approach is that success stories remain stymied by 'pilot-itis' – Whitehall's inability to scale and sustain new ways of working. This is particularly pertinent when the nature of relational reform – place-based, relationship-driven – does not lend itself to a cookie cutter approach to scale (hence the more organic 'Grow' in the Cabinet Office's Test, Learn and Grow programme).

At the same time, perhaps the most fundamental challenge is intensifying: funding. Unless the tightening fiscal context is addressed, with all the will in the world, these success stories will remain limited to pilots, unable to shift the system at scale.

This is the genesis of social finance: mobilising private and philanthropic capital to drive public value, and after nearly two decades of experimentation and refinement, the UK has built one of the world's most developed impact investment ecosystems

THE EVOLUTION OF THE UK'S IMPACT ECONOMY

The 'impact economy' describes a diverse range of actors, including philanthropy, social and institutional investors, charities, social enterprise and business, who share an overarching aim to mobilise capital towards social or environmental purpose.[4] The UK's impact economy, whilst difficult to define and map,[5] is estimated to be worth £106bn, and trends indicate that this is set to grow.[6]

The Impact Economy Collective identifies three cohorts within the umbrella of the impact economy, each of whom bring distinct perspectives:

- Purpose driven businesses, developing sustainable business models to tackle public challenges
- Social and impact investors with a dual focus on financial return and impact
- Philanthropy and foundations with higher risk thresholds and longer-term horizons[7]

All, to a greater or lesser degree, have the ability to work upstream and preventatively, as compared with statutory services locked in crisis management, managing rising demand and scarce resources.

Social and impact investment has been part of the UK's policy and funding landscape since the mid-2000s, most visibly through social outcomes partnerships (previously social impact bonds), blended finance models, and social investment funds. The UK pioneered the world's first social impact bond in Peterborough Prison in 2010 and has since built one of the most developed impact investment markets globally,[8] supported by institutions like Better Society Capital (BSC), the Government Outcomes Lab (GO Lab), and national outcomes funds such as the Life Chances Fund.

4 https://www.thinknpc.org/examples-of-our-work/initiatives-were-working-on/growing-the-impact-economy/
5 https://www.thinknpc.org/examples-of-our-work/initiatives-were-working-on/growing-the-impact-economy/
6 chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/6904bd34823bdda9488b2505/SIIAG_Recommendations.pdf
7 https://impacteconomycollective.org/
8 https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/

MODELS OF IMPACT INVESTMENT

Social Outcomes Partnerships (previously Social Impact Bonds)

- A pay-for-success contract: investors fund a social programme upfront and government (or another outcome payer) pays a return if specified outcomes are achieved.
- For example, in a homelessness social outcomes partnership in Manchester, investors cover programme costs and are paid £500 for every person housed plus bonuses for sustained tenancies, up to a capped return.[9]
- The first social outcomes partnership launched in Peterborough in 2010; there are now more than 300 across eight policy sectors in 40 countries.[10]

Pros:

- Aligns public payments to results rather than inputs, transferring risk to investors.
- Can stimulate innovation in service delivery.
- Generates robust data on outcomes and cost-effectiveness, strengthening the evidence base.

Cons:

- High transaction and measurement costs.
- Legal complexity can make smaller projects[11] uneconomic to design and manage.[12]
- May be unsuitable where outcomes are hard to measure or attribution is weak.
- Risk of narrow targeting if outcomes are tightly defined.

Social Investment Funds and Debt Financing

- Dedicated impact investment funds provide loans or equity to social enterprises and charities that deliver services (e.g. affordable housing, health, education).
- In the UK, this includes funds for social and affordable property, lending to charities/social enterprises, and impact venture capital.[13]

Pros:

- Offers patient, flexible capital where mainstream lenders may view organisations as too risky or too small.
- Encourages a degree of financial discipline and outcome measurement, as social investors track both performance and impact.

Cons:

- Early-stage ventures have a high failure rate.[14]
- High inflation and interest rates make borrowing riskier.

9 https://www.theguardian.com/society/2021/jan/10/how-manchester-found-homes-hundreds-rough-sleepers-home-partnership#:~:text=The%20project%20was%20funded%20by,community%20and%20social%20enterprise%20sector
10 https://www.ft.com/content/901e0643-e8ae-4671-a85b-09d92c72c08c
11 https://erbe.autonoma.pt/articles/ERBE02204-Social-Impact-Bonds-A-Review-of-Their-Strengths-and-Weaknesses.pdf
12 https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/employment-services/social_impact_bonds.pdf
13 https://bettersocietycapital.com/2023-market-sizing/
14 https://bettersocietycapital.com/impact-report-2024/building-the-market-for-social-impact-investment/

MODELS OF IMPACT INVESTMENT

Blended Finance Models

- Combines different types of capital – such as philanthropic, public and/or private investment – in a single structure.
- These can occur at the fund level, e.g. a mix of grant and repayable capital in one fund, where the grant element takes a first-loss position to attract risk-averse investors.[15]
- UK examples include the Arts and Culture Impact Fund (with £5m Arts Council grant leveraging £18m from investors) and the Recovery and Resilience Loan Fund (blending £25m in loans with £4m in grants, backed by a government guarantee).

Pros:

- Can create more flexible terms for frontline organisations – e.g. longer tenors, grace periods, or lower interest
- Particularly useful in nascent or higher-risk sectors such as early-stage social ventures, community energy or homelessness property funds where market-rate risk/return alone is not yet attractive.[16]
- Able to "crowd in" significantly larger pools of private capital by using public or philanthropic money to absorb higher risk or take subordinated positions.

Cons:

- If not designed transparently, there is a risk that public or philanthropic capital disproportionately subsidises private returns, raising questions about fairness and value for money.
- Coordinating incentives and impact objectives across multiple capital providers can be challenging and time-consuming.

Community and Retail Impact Investments

- Mechanisms like community shares, bonds, and crowdfunding allow local residents or retail investors to fund projects with social impact (e.g. community-owned renewable energy, social housing projects).
- In the UK, Community Investment Tax Relief (CITR) was introduced to incentivise investment in underserved communities via Community Development Finance Institutions.[17]
- Likewise, Social Investment Tax Relief (SITR) (2014-2023) provided 30% income tax relief to individuals investing in qualifying social enterprises,[18] spurring local investment.[19]

Pros:

- Can deepen local ownership and accountability by giving residents a direct financial and emotional stake in community assets.
- Mobilises new pools of capital from citizens who want to invest in place-based projects, broadening participation beyond institutional investors.
- Can be particularly effective for smaller, place-specific projects where local legitimacy and engagement are especially important.

Cons:

- Typically raises relatively modest sums compared to institutional capital – limiting applicability.
- Success depends on community capacity and social infrastructure; in places with weaker civic institutions, take-up can be limited.

15 https://bettersocietycapital.com/information/blended-finance/
16 https://www.impactinvest.org.uk/wp-content/uploads/2023/04/Bridging-capital-into-communities-A-practical-guide-for-policy-makers.pdf
17 https://www.gov.uk/guidance/community-investment-tax-relief
18 https://bettersocietycapital.com/information/blended-finance/#:~:text=Tax%20reliefs%20have%20been%20highly,invests%20in%20social%20enterprises%20addressing
19 https://www.gov.uk/guidance/venture-capital-schemes-apply-to-use-social-investment-tax-relief

THE SOCIAL IMPACT INVESTMENT ADVISORY GROUP

The current fiscal climate has intensified interest in how private and philanthropic capital can complement public spending. In February 2025 the Department for Culture, Media and Sport (DCMS) and Treasury established the Social Impact Investment Advisory Group (SIIAG)[20] to explore how to strengthen collaboration between government, the impact economy, and civil society to mobilise social impact capital.

The SIIAG released its final report in November 2025, making the case that while the UK already has a sizeable impact capital market, the system remains fragmented: there are pockets of innovation, but these operate largely in isolation, without a coherent cross-government strategy or consistent policy architecture. The report's recommendations covered the full pathway for mobilising, structuring and deploying impact capital across three pillars of a proposed "roadmap for mobilising the impact economy".[21]

The SIIAG recommendations addressed structure and process; the Government has already enacted the recommendation to establish an Office for the Impact Economy in Cabinet Office, a central coordinating hub and a 'front door' for investors, purpose-driven businesses, and civil society organisations seeking to partner with government.[22]

However, in a welcome departure, the recommendations also addressed new ways of working and the centrality of relationships and communication in driving change. The SIIAG report called for a shift in the government's operational approach: moving from a *project mindset* in which the state primarily funds and delivers, to embedding a *mobilisation mindset*, in which it mobilises, catalyses, and partners.

20 https://www.gov.uk/government/publications/social-impact-investment-advisory-group
21 https://www.gov.uk/government/publications/social-impact-investment-advisory-group/final-report-of-the-social-impact-investment-advisory-group
22 https://www.gov.uk/government/groups/office-for-the-impact-economy

PART TWO
BEYOND FUNDING: THE POTENTIAL OF THE IMPACT ECONOMY

For Demos, SII goes beyond simply easing funding flows and providing much needed investment. It represents both a powerful opportunity to mobilise wider relational reform, and a lever to rebuild trust between citizens, the state and broader economic actors. But this quiet revolution needs to become better articulated and louder.

As government moves to mainstream impact investment approaches, there is risk that SII is continued to be viewed as a niche endeavour – the reserve of the experts and the enthusiasts – or that efforts to embed are stymied by existing Whitehall working culture, systems and processes. In this section we draw on our research with civil servants and impact economy experts to explore the broader potential of the impact economy in facilitating relational public service reform, and the enabling conditions required for successful implementation of the SIIAG's recommendations.

SII AS A DRIVER OF RELATIONAL REFORM

SII has potential to drive relational reform in five key ways:

1. **Mobilisation:** Mobilisation was a core theme of the SIIAG report,[23] identifying the enabling roles central government can play in mobilising the impact economy (e.g. as a commissioner, market enabler or guarantor). The SIIAG recommendations include the development of a 'Mobilising Impact Capital Decision Support Tool', providing a series of prompt questions for policymakers such as: 'how could the intervention attract other aligned partners? Do the partners bring additional expertise that could be leveraged? Does the intervention scale or replicate a successful model?'.[24]

23 The Social Impact Investment Advisory Group (2025). Mobilising the Impact Economy as Partners in National Renewal chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/6904bd34823bdda9488b2505/SIIAG_Recommendations.pdf
24 The Social Impact Investment Advisory Group (2025). Mobilising the Impact Economy as Partners in National Renewal chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/6904bd34823bdda9488b2505/SIIAG_Recommendations.pdf

However, it is clear the mobilisation required extends beyond the roles that government plays solely in relation to impact capital. As explored in Demos's 'Mobilisation Nation' and 'Mission-Ready Nation', a mobilisation mindset requires a broader departure from *command and control*, in which the centre holds expertise, decision-making and accountability levers close. Instead, the emphasis is on collaboration and a 'stewardship' role, in which the centre convenes diverse actors and creates the enabling conditions for pursual of shared missions.

The Policy Labs (e.g. the Early Years Labs to inform the government's Best Start in Life Strategy) delivered by the Impact Economy Collective in partnership with central government departments are an example of how the impact economy can unlock a mobilisation mindset in Whitehall. The Labs bring together cross-sector stakeholders, including impact economy experts, for a two day policy sprint focussed on co-defining a shared problem and designing solutions.

This approach is a departure from central government's tendency to retreat into siloes, whereby the scale and separation of central government departments creates distance, and those outside the Whitehall machine are 'othered'.[25] Participants in the Labs spoke of a feeling of shared ownership of problems, the time and space to think strategically, and the value of external expertise.[26]

2. **Enabling innovation:** Impact investment offers both resource and an operating model to facilitate public service innovation. Through shouldering risk that would be untenable for statutory funders, a focus on outcomes rather than targets, and by circumnavigating siloed and pressured statutory funding flows, SII models have successfully trialled preventative, integrated services. The breadth and diversity of the impact economy comes to the fore here, and a key role for the Office of the Impact Economy will be in supporting greater understanding of the varied roles impact partners can play in public service reform. For example, philanthropic focus on longer time horizons is conducive to the preventative shift, and higher risk appetite is well matched to facilitate pilots of new models.

3. **Incentivising relationship building:** SII requires a fundamentally different, relational way of working. As the SIIAG identified, the mobilisation of impact capital depends on strong, long-term relationships between central government, potential investors and local government and service providers. Building these partnerships requires time, identification and development of shared goals and more flexible systems and processes. Wider adoption of impact investment models – requiring engagement and relationship building – would necessitate changes in behaviour in civil service teams currently incentivised to measure success through activity and targets. The Office for the Impact Economy has an important role in facilitating this shift away from transaction to partnership.

4. **Spotlighting preventative spend:** Demos has previously made the case that greater transparency in accounting for preventative spend is a vital step towards the preventative shift. Mechanisms such as the Preventative Departmental Expenditure Levy (PDEL) offer a route to account for, and therefore draw attention to, preventative spend. Greater visibility would enable government to both incentivise (or mandate) greater focus on prevention, but also learn and improve future decision making about what works.

   Impact investment – as a non-standard funding mechanism – requires similar changes to mindset and accounting: a shift from central teams acting as 'commissioners' to 'catalytic investors'.[27] The SIIAG recommendation for civil servants to adopt a 'match-first' or leverage

25 Demos (2025), The Human Handbrake. https://demos.co.uk/research/the-human-handbrake-how-whitehall-culture-holds-back-public-service-reform/
26 Dominic Llewellyn, the Impact Economy Collective (2025), Stronger Together: What the impact economy policy labs are teaching us. https://blogs.lse.ac.uk/socialbusinesshub/2025/12/04/stronger-together-what-the-impact-economy-policy-labs-are-teaching-us/
27 The Social Impact Investment Advisory Group (2025). Mobilising the Impact Economy as Partners in National Renewal chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://assets.publishing.service.gov.uk/media/6904bd34823bdda9488b2505/SIIAG_Recommendations.pdf

approach is well aligned with a shift towards a prevention mindset: changes to strategic policy or delivery frameworks that require consideration of partnership to crowd in impact capital, and accounting for success in doing so, could well align with prompts to consider and account for preventative spend.

5. **SII as a route to rebuild trust:** SII is fundamentally reciprocal: wealth holders play a positive role in national renewal, local places are empowered and government is required to shift to a more liberated focus on outcomes, rather than central control. For Demos, this approach is emblematic of a 'New Deal': a reset of relationships, roles and responsibilities in our democratic system. The New Deal asks not 'what can government do?', but shares responsibility for driving social and economic change across the system. Crucially, in the context of fiscal constraint, it looks to harness untapped potential in the system, and – with the right narrative – could help rebuild trust in an economic system that many citizens feel is not working for them.

EMBEDDING SII: CULTURE AND NARRATIVE

Demos analysis 'The Human Handbrake' laid bare how Whitehall working culture promotes and entrenches short-termism, risk aversion, siloed delivery and accountability structures.[28] Bringing this lens to the challenge of how to scale and embed impact investment approaches, and drawing on discussions with civil servants, sectoral experts, practitioners, and reformers, we have identified four enablers to support the implementation of the SIIAG recommendations. These enablers focus on softer, cultural challenges in Whitehall, skills and confidence gaps in the civil service, and the importance of narrative in public service reform:

1. Preserving the 'outsider energy'
2. Maintaining momentum and accountability
3. Broadening the reach of SII
4. SII as part of a broader movement

1. Preserving the 'outsider energy'

The impact economy movement – and the SIIAG in particular – has benefitted from its position as a constructive outsider: agile, solutions-driven and unencumbered by traditional departmental constraints. This energy has enabled rapid convening, collaboration and innovation. However, as approaches become more established within government, there is a risk that systemisation will dampen the agility and relational ethos that made early progress possible.

Recommendation:

- The Office for the Impact Economy should align and share learning with other reforming initiatives within government, such as Test, Learn and Grow and Pride in Place. The Cabinet Office should extend successful efforts to convene (e.g. the Test, Learn and Grow conferences) to join up disparate policy teams and build the relational reform movement.

28 Demos (2025), The Human Handbrake. https://demos.co.uk/research/the-human-handbrake-how-whitehall-culture-holds-back-public-service-reform/

- The Office for the Impact Economy should be viewed as a facilitator, rather than an owner of the SII agenda within government. This requires maintaining a firmly outward looking perspective, with internal civil service teams and impact economy partners regarded as equally important 'clients' of their work, and being a conduit for connection and new ideas into government.

2. Maintaining momentum and accountability

The SIIAG demonstrated that government, working in partnership with others, can move quickly and design practical solutions where there is a strong motivator (fiscal constraint), willingness to collaborate and strong senior leadership (in this case from then-Treasury Minister Darren Jones). The next challenge is delivery: ensuring resilience of new policies or models in the face of entrenched systems and processes, and ongoing accountability for progress, particularly once the urgency of inception has faded.

Recommendation:

- The Cabinet Office should commission a formal SIIAG progress report after 12 months to assess delivery, barriers, and next steps.
- This should be complemented by an annual cross-government stocktake, using Demos's mission stewardship framework to assess social impact capital mobilisation.[29]
- The work of the Office of the Impact Economy should align with existing government work on preventative spend, such as Treasury efforts to account for preventative spend (building on Demos's proposed PDEL).[30] Changes to strategy policy or delivery frameworks to embed a 'match first' approach should go hand in hand with prompts to centre and account for prevention. This would embed the preventative, long-term focus of impact investment within mainstream fiscal processes.

3. Broadening the reach of SII

Demos interviews with Whitehall civil servants revealed that many lacked confidence with respect to SII, or felt sceptical of the agenda. There was a sense that SII is the reserve of the experts and enthusiasts. Addressing this will require training, but also shifts to working culture, such as making cross-departmental collaboration easier and building in time for relationship building and scoping of new approaches.

29 Demos (2025). Mission-Ready Nation. https://demos.co.uk/wp-content/uploads/2025/03/Mission-ready-nation_2025.pdf
30 Demos (2023). Revenue, capital, prevention: A new public service framework for the future. https://demos.co.uk/research/revenue-capital-prevention-a-new-public-spending-framework-for-the-future/

Recommendation:

- The Office for the Impact Economy education and training initiatives should be prioritise teams working on existing place-based, preventative, and relational reform programmes, where SII is most likely to complement existing reforms.
- The formalisation of 'collaborative design sprints' as recommended by the SIIAG should be sustained and extended to include broader relational reform initiatives, as valuable protected time for cross-departmental teams and external stakeholders to convene, recognising that lack of time and risk cover are major barriers to adopting relational approaches.

4. SII as part of a broader movement

SII is one of several reform movements promoting relational, preventative and people-centred approaches to policy. These include, but aren't limited to Test, Learn and Grow, Pride in Place, Community Help Partnerships, Neighbourhood Health, and Place-based Budgets. Without a unifying narrative, these initiatives risk remaining fragmented, limiting learning and hindering system-wide cultural change. Our work with senior civil servants has made clear the need for an overarching narrative that supports leaders across Whitehall to point to a wider vision of reform, motivate teams to change entrenched ways of working, and address cross-cutting disincentives in the system.

Recommendation:

- The Cabinet Office, led by the Parliamentary Secretary, should lead the development of a narrative that tells the story of relational reform. This narrative should be co-developed with partners from across and outside government, and use accessible language to persuade the 'uninitiated' across Whitehall. It needs to address the hard-edged benefits, including more effective risk–management, cost savings and improved outcomes, as well as the human or relational value of liberated and more collaborative ways of working.
- Translating the relational reform narrative into updated guidance and shared metrics would help counter structural barriers and support officials to effectively engage with the impact economy, and to act in ways that align with mobilisation and prevention.

CONCLUSION

The impact economy offers far more than alternative funding mechanisms or additional resource to supplement public funds: it provides a practical route to embed relational reform across government, unlock innovation, and rebuild trust between citizens, the state and wider economic actors. With the creation of the Office for the Impact Economy, the UK has a timely opportunity to harness an already world-leading impact ecosystem and shift Whitehall towards a mobilisation mindset – one that values collaboration, outcomes, and shared responsibility for social progress.

But realising this potential will require enabling reforms in Whitehall including cultural permission, sustained leadership, wider confidence and capability across departments, and a unifying narrative that connects impact investment to the broader movement for preventative, people-centred public services. If government can preserve the agility and partnership ethos, impact investment can become a cornerstone of a new, relational approach to governance.

Done right, the SII movement can be a central driver of making the government's quiet public service reform agenda louder and more transformational to the state, and just when it is being demanded.

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