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BETTER SOCIETY CAPITAL

Delivering Government missions using impact-led venture capital and private equity

Contents

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Executive summary

The UK Government has set ambitious plans for five key missions: economic growth, National Health Service (NHS) improvement, clean energy, safer streets, and breaking down barriers. To address these deep-rooted social and economic issues, innovative approaches and private capital are vital. The UK's position as a Centre of Excellence in impact investing presents a unique opportunity to achieve the Government missions.[1]

Impact investors are actively contributing to the Government missions. Impact investment intends to create measurable social and/or environmental impact alongside financial returns. This approach is helping deliver real improvements to people and the planet. The impact investing field is led by venture capital (VC) and private equity (PE) firms. Family offices, local government pension funds, and other institutional investors are increasingly joining in. The UK has emerged as a global leader in this space, establishing itself as a hub for both impact investing and sustainable finance. The UK can leverage this position to mobilise private investment towards government goals, and if done successfully, highlight this expertise globally.[2]

The UK impact investing market currently sits at £76.8bn, representing less than 1% of the entire UK investment management market.[3] We are witnessing significant momentum in impact capital from investors and Government. The Government has:

- shown openness to business partnerships;
- provided additional funding to the National Wealth Fund (NWF) and built its scope as the UK's 'impact investor'; and
- plans to develop a new social investment vehicle this year.[4]

To capitalise on this momentum, we have recommendations across three categories - capacity building, deal flow and embedding social impact - for the missions of economic growth, health, and clean energy. Market-facing recommendations are provided for the safer streets and opportunity missions. The Spending Review provides a chance for all government departments to consider the role impact-led capital can play towards meeting their objectives. If the UK utilises impact-led capital effectively, there is huge scope to deliver meaningful and measurable progress on the missions.

A summary of the recommendations is provided below.

GOVERNMENT

Economic growth:
Expand the remit and resources of the British Business Bank (BBB) to attract pension capital or other government backed co-investment schemes.

NHS:
Partnerships with key stakeholders to offer a health data sandbox for innovation in health-tech.

Economic growth:
Incentives for early stage funding including expansion of translational funds, tax incentives for VCs to invest in later stages of investment rounds, and support for regional university spin-out ecosystems.

NHS:
Align Research & Development (R&D) funding to priority areas for the NHS through an R&D strategy.

Clean energy:
Net zero and adaptation strategy and granular sector pathways to provide investment clarity.

Clean energy:
Embed additional impact terms into investment decision-making and impact practice of the National Wealth Fund (NWF).

MARKET

Economic growth:
Capability building of investors in place-based impact investing.

NHS:
Investor coalitions to build capacity in health investment aligned with NHS priorities.

Clean energy:
Catalyse investment in adaptation and nature based solutions.

Clean energy:
Transition plans that consider social impact metrics.

Legend

Building capacity | Increasing deals | Embedding impact

[1] City of London Corporation & BVCA, 2024.
[2] Impact Investing Institute, 2024b.
[3] Impact Investing Institute, 2024b.
[4] UK Government, 2024b.

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Introduction

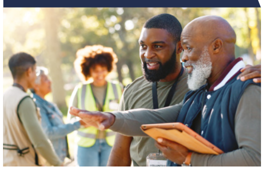
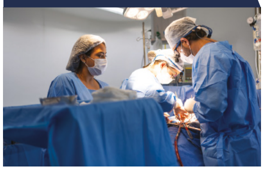
Challenge

The UK Government's plan for change is bold, covering the following five missions.[5]

The announcements listed below from the 2024 Autumn budget are positive steps towards achieving these goals. The Government is also interested in fostering strong relationships with business and investors. To gain a full-picture of the missions, the investment need and announcements made, a simple analysis has been conducted.[6]

GOVERNMENT MISSIONS

1 Kickstart economic growth	2 An NHS fit for the future	3 Safer streets	4 Break down barriers to opportunity	5 Make Britain a clean energy superpower
Living standards	Access: Hospital backlogs	Violence against women and girls	Child poverty	Clean power deployment
Infrastructure and homes	Prevention: Cancer, heart disease and stroke, and suicide	Confidence in policing and justice system	Education	Low carbon economy
	Inequalities: Drivers of ill-health	Knife crime		

	Economic growth	NHS fit for the future	Safer streets	Break down barriers to opportunity	Clean energy superpower
					
AREA	Infrastructure, technology and workforce development.	NHS capital and operational expenses and preventive health measures.	Youth crime, policing and domestic abuse.	Early childhood education, primary education and lifelong learning.	Energy and consumer products.
QUANTIFYING THE GAP	**1.51m unemployed people** in October 2024 in the UK. Department of Work & Pensions spent **£69.7bn** in welfare payments to those of working age. **Over £34bn** is required to meet social and affordable housing needs (additional **95,000 homes** a year).	**£14.1bn** is the annual estimated need of the NHS to address operational backlogs and capital investment gaps. The social determinants of ill- health are complex, and the investment gap depends on the type of chronic disease examined. The NHS spends around **£10bn** a year treating obesity.	Estimated cost of domestic abuse on the state is **£74bn** annually. Given the complex determinants and nature of youth crime and abuse, it is difficult to quantify the true investment gap.	**4.3m children** were living in relative low-income households after housing costs in 2022/23. Child poverty in the UK is estimated to cost over **£39bn**. This includes unemployment benefits and public services. **13.2% of young people** are not in education, employment or training (NEET).	The cost of the UK reaching net zero by 2050 is estimated to be over **£10bn** annually (total is £321bn).
RECENT ANNOUNCEMNETS	**£500m** top-up to the affordable homes programme and increases to welfare payments. **£40m** for reform of Apprenticeship Levy into a more flexible Growth & Skills Levy. Public R&D investment increased to a record **£20.4bn**.	An increase to the NHS budget of around **£10.4bn**. Commitments on mental health and advertising of harmful products and junk food have been made.	Police across England and Wales will receive an additional **£1bn** to restore neighbourhood policing and make streets safer.	Measures to increase benefits to children and social care have been made, however some children's care charities believe more is needed. Review of national curriculum and statutory assessment system in England. **£900m** in funding for adult education in 2024–25. This is still below 2009-10 levels.	**£100m** for clean energy project development through the National Wealth Fund and GB Energy. A **£22bn pledge over 25 years** for carbon capture and storage.

[5] UK Government, 2024c.
[6] Action for Children, 2024; Brown, 2024; Domestic Abuse Commissioner & Jacobs, 2024; Hirsch & Child Poverty Action Group, 2023; Institute for Fiscal Studies, 2023; Institute for Government, 2021; Legal & General & British Property Federation, 2022; Maclugash, 2024; National Audit Office, 2023; NHS Confederation, 2023; 2024; Office for National Statistics, 2024; Powell et al., 2025; Tony Blair Institute, 2023; UK Government, 2024d.

Solution

Impact investors are an untapped source of capital to help deliver these outcomes. Impact investment is an approach that intends to generate a positive, measurable social and/or environmental impact alongside a financial return.[7] Impact investors are part of an 'impact economy', which is a group of stakeholders delivering on the remit of the UN sustainable development goals (SDGs) and the Paris 2015 climate agreement to reduce carbon emissions.[8] This includes businesses with a social mandate or product, such as social enterprises, as well as charitable organisations, philanthropists and government. The defining characteristic is the *intent* of the intervention or investment to create social impact. In venture this means funding business models that are impactful in terms of their products or customers and models that will create positive changes for people and/or the planet.[9]

The momentum for social impact to be embedded in investment and business decision-making is on the rise.

The UK impact investment market size is £76.8bn and has compounded annual growth of 10% over the last three years.[10]

The Better Business Act* campaign is underway, advocating for an update to the UK Companies Act to include 'purpose' into corporate director's duties.[13]

It is expected that by 2028 there will be a 27% increase in the number of purpose-led businesses.[11]

At the time of writing, around 10 funds have adopted the Financial Conduct Authority's Sustainability Impact label.[12]**

Impact fundraising is rising globally, despite a backlash in some jurisdictions around ESG.[11]

ImpactVC, launched out of the UK, and is now the largest community of impact-oriented venture capital investors globally.[9]

** Analysis shows that purpose-led businesses grow faster, invest more in capital and R&D, than their conventional peers, and are more likely to pay their lowest paid staff a living wage.*

*** These include: Schroder BSC Social Impact Trust; Schroders Capital Real Estate Impact Fund; Impax Environmental Markets; VH Global Energy Infrastructure; Baillie Gifford Positive Change Fund; Edentree Green Future Fund; AXA People & Planet Equity Fund; T. Rowe Price OEIC Global Impact Credit Fund; T. Rowe Price OEIC Global Impact Equity Fund and FP WHEB Sustainability Impact Fund.*

[7] GIIN, 2024.
[8] GSG Impact, 2024.
[9] Impact VC, 2023.
[10] Impact Investing Institute, 2024b.
[11] City of London Corporation & BVCA, 2024.
[12] Downes, 2024; UBS, 2025.
[13] B Corp & Demos, 2023.

Opportunity

The UK is a Centre of Excellence in impact investing and a hub for sustainable finance. These strengths could be leveraged to help achieve the Government's missions.[14] However, impact investment only accounts for less than 1% of the whole UK investment management market.[15] There is significant room for growth should the right incentives and enabling environment be put in place.

New types of partnerships could be fostered between government and investors, where there is greater alignment on goals and accountability.[16] Impact investors are accountable to the social outcomes they include in their investment theses. They are also responsible for their investee company's impact outcomes. Many investors utilise 'theories of change'; link carry to impact; and evaluate and report their impact. Impact investors also help to crowd-in other types of investors on projects. For example, Better Society Capital (BSC) estimates for every £1 they invested, they crowded in another £3 from other investors.[17] Often impact investors give equal priority to impact return as financial return. For instance, Ananda Impact Ventures links compensation (i.e. carry which is a share of profits, typically after several years investment) to impact created whereby at least 60% of the impact KPIs need to be fulfilled for 10% carry.[18] Impact investment in the UK has delivered a range of policy objectives over the last two decades.[19]

Objective

This paper aims to highlight the role of impact-led capital in delivering outcomes across Government missions, through informative examples, and clear suggestions for fostering further growth. The paper is informed by an engagement programme by the City of London Corporation with the Impact Investing Institute in collaboration with the BVCA, ImpactVC and BSC, and supported by Herbert Smith Freehills in 2024, which focused on the role of impact VC and PE.

Policy recommendations are made for the three missions covered in the engagement programme: economic growth, health and clean energy. The remaining two missions, safer streets and opportunity, were not covered in the engagement programme. For both of these missions, there is still a significant role for impact investing to play in achieving the goals, and so we have focused on examples and market-facing recommendations.

[14] City of London Corporation & BVCA, 2024.
[15] Impact Investing Institute, 2024b.
[16] O'Brien & Demos, 2024.
[17] Better Society Capital, 2025b.
[18] Ananda Impact Ventures, 2022.
[19] City of London Corporation & BVCA, 2024.

Missions

MISSION

Department: HM Treasury; Department of Work & Pensions; Ministry of Housing Communities and Local Government

Kickstarting economic growth

Issue

At the heart of the academic literature on boosting UK productivity is the notion that more investment in both productive assets and the labour force is required. This may look like investment in Research & Development (R&D), the strengthening of the manufacturing industries that are at the forefront of technological progress, public infrastructure that makes the labour force more productive and the upskilling of workers.[20]

Regional inequality and talent drain to London is also a significant issue and so these investments are required across the UK. The National Wealth Fund (NWF) aims to deliver on some of these remits and kick-start economic growth. There have been calls for a range of investors to stimulate more growth in private equity. For example, the Chancellor has called for the Local Government Pension Scheme (LGPS) to invest a greater proportion of its capital in assets that unlock growth. In the VC & PE sector, the limited scale-up capital available to ventures is a challenge for more growth.

How private capital can help

Impact investors seek to tackle the root causes of economic issues, from investment in critical infrastructure to the upskilling of the workforce.

In 2021, Ufi Ventures invested £325,000 in CAPSLOCK, a company that provides diverse resource to organisations by reskilling adults in cybersecurity. Since inception in 2019, CAPSLOCK has built an alumni network of over 1,000 people and helped diverse talent into the cybersecurity sector.[21]

Palatine alongside mayoral combined authorities, invested in Back2Work (B2W), which is a skills and training provider focused on pre-employment and employability training, bootcamps and apprenticeships. B2W delivers a clear social impact by helping people return to work, gain new skills for employment, and build skills to enter better-paid careers. Over 3,000 people to date in the Greater Manchester region have achieved job outcomes with earnings above the National Living Wage or progressed into further education. This is the best result of all training providers in the Greater Manchester region. Over 17,000 people have been supported by B2W, and £200,000 in social value has been created by them.[22]

Other innovations: Pension fund investment

Private Capital can help drive economic growth in many ways. This includes place-based impact investing which is an approach that brings together public and private capital, capacity and capabilities to work in unison to drive investments that respond to the unique challenges and opportunities within a given locality.[23]

Strathclyde Pension Fund (SPF) is employing a place-based impact investing lens through its Direct Impact Portfolio. SPF currently has £2.218bn assets under management, with investments in 102 Schools, 13 hospitals, 54 wind farms, 10 hydro assets, 10 renewable energy assets, over 1,129 Affordable Housing Units and 670 Build-to-Rent units in Scotland.[24] Recently SPF increased its Direct Impact Portfolio allocation from 5% to 7.5%, reflecting strong performance and impact.[25] Key aspects of SPF's investment strategy that are relevant for growth and productivity include a strong local focus, accountable and transparent reporting (e.g. social impact, CO_2 reduction and energy produced) and the provision of patient capital to the market.[26]

There are also successful initiatives that focus on a particular sector to attract institutional / pension fund capital.

The French Tibi scheme, which was developed for the tech sector and led to 35 institutional investors to invest €30bn into the ecosystem.[27]

In the UK, the Mansion House Compact aims to channel investment into growth companies by encouraging signatories (DC Pension funds) to invest 5% of their default funds in unlisted equity. A number of Long-Term Asset Funds (LTAFs) have been announced that seek to align with these objectives.[28]

The UK has an opportunity to showcase expertise internationally if impact-led capital is harnessed effectively to stimulate growth in the economy.

[20] BVCA, 2024; Castelli et al., 2024; Siddiqui, 2020.
[21] BVCA, 2025b; Capslock, 2025.
[22] BVCA, 2025a; The B2W Group, 2025.
[23] Impact Investing Institute, 2024a.
[24] Strathclyde Pension Fund, 2023.
[25] Dohle, 2024.
[26] Strathclyde Pension Fund, 2023.
[27] Trésor, 2024.
[28] Schroders, 2024a.

MARKET RECOMMENDATION

Institutional investors should continue to upskill in place-based impact investing principles and engage in market-building initiatives. A recent survey indicates that 78% of LGPS funds consider local impact in their investment decisions.[29] The Impact Investing Institute's concerted market building, supported by DCMS, has yielded noteworthy progress in upskilling local authorities and LGPS investors in housing, renewables and emerging technologies. Furthermore, the Government has set a voluntary 5% local investment target for LGPS funds. The increased attention on local investment highlights the importance of continued upskilling in place-based impact investment by LGPS.[30,31]

GOVERNMENT RECOMMENDATION

Government supported co-investment schemes:
The Government should consider expanding the remit and resources of the British Business Bank in order to crowd in more investment from pensions. It should also consider the attraction of international capital to the UK, taking on board lessons from initiatives like the Tibi scheme.

Incentives for early stage investment:
The Government should increase finance for key investment funds that facilitate commercialisation and support early stage ventures, addressing the capital gap in the UK ecosystem often referred to as 'the missing middle'. For example, the UK Research and Innovation (UKRI) translational fund could be expanded as UKRI funding often falls short in advancing technology to the commercialisation stage. Another measure could be lifting limits on tax relief schemes to enable VC firms to invest in later stage regional companies and unlocking domestic institutional capital to invest in later rounds. Increasing limits on EIS where companies have traditionally taken longer to scale would enable VC firms to invest more capital in these high growth companies to scale and become more suitable for institutional investment.

Supporting regional ecosystems:
The university spin out ecosystem could also be supported. Northern Gritstone by University of Manchester, University of Leeds and University of Sheffield in the northwest and Qantx in the south & west universities are positive examples that could be replicated across other regions, to address regional inequality and commercialisation capital gaps. The Government should also implement the recommendations outlined in the Independent Review of the UK's University Spin-Out Ecosystem and should further increase the proof-of-concept funding from the £40m announced in the Budget.[32]

[29] Schroders, 2024b.
[30] UK Government, 2024a.
[31] Impact Investing Institute, 2023.
[32] Tracey & Williamson, 2023.

MISSION

Department: Department of Health and Social Care; Office for Health Improvement & Disparities; National Health Service (NHS)

Build an NHS fit for the future

Issue

The NHS of the future will be focused on prevention with fewer lives lost to cancer, cardiovascular disease, stroke and suicide. The Government will publish a 10-year plan outlining how the NHS will become more productive, with newer technology and shorter wait-times for treatment.[33] The NHS has significant strengths – accessibility, affordability, evidence-based procurement and a centralised system. Financial sustainability is a concern, as the UK population ages and demand increases for NHS services.[34]

How private capital can help

Impact investors have considerable experience in funding businesses that address health problems and the social determinants of ill-health. An illustrative sample of these have been provided below.

Prevention and diagnostics

Oxford Cancer Analytics, is a diagnostic company which is enabling curative cancer treatment through early detection, using a combination of machine learning & proteomics to detect lung cancer earlier. It has raised US$11m in its latest Series A round from global investors, with initial funding by impact investor, Eka Ventures.[35]

Second Nature is a clinically-proven, sustainable way to lose weight and gain healthy habits for life. Developed by top dietitians and psychologists, it is now used by a majority of NHS Health and Care boards in the UK. It's the first app-based behaviour change service to be commissioned by the NHS and was funded by Bethnal Green Ventures and Beringea alongside other investors.[36]

Flok is the UK's first autonomous physiotherapy clinic, providing same-day access to musculoskeletal care for NHS patients. Every stage of a patient's treatment from assessment to discharge is safely managed by the platform, providing faster and more equitable access to care for thousands of patients while freeing up significant capacity for overstretched NHS teams.[38] Eka Ventures led a £2m investment round in Flok in 2022.

Medtech

Open Bionics makes bespoke 3D-printed prosthetic arms for children and young people and was funded by Innovate UK and received £4.6m from a range of investors including Ananda Impact Ventures. Open Bionics have developed partnerships with Disney, Marvel and Lucasfilm to make prostheses that are more exciting for children and young people.[37]

Healthcare quality and reducing NHS costs

NLC Ventures has provided funding to PEP Health, which addresses the complexity of monitoring healthcare quality. By combining multiple sources of patient feedback, including social media, PEP provides near real-time assessments of quality for hospitals and departments. This approach reduces costs, improves timeliness and enhances trustworthiness.[39]

Patchwork Health which tackles NHS staffing challenges through tech-powered solutions that allow NHS teams to manage their permanent and temporary workforce. Over 100 healthcare sites have used Patchwork Health, saving the NHS an estimated £40m and enabling almost 3 million hours of shifts to be sustainably staffed each year.[40] KHP Ventures invested in Patchwork Health.

[33] UK Government, 2024c.
[34] NHS Confederation, 2024; The King's Fund & Anandaciva, 2024.
[35] Eka Ventures, 2025; Oxford Cancer Analytics, 2025.
[36] Better Society Capital, 2020.
[37] Crowdcube, 2024; UK Government, 2019.
[38] Better Society Capital, 2024a.
[39] NLC Health Ventures, 2025.
[40] KHP Ventures, 2024.

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Other financial innovations: Social outcomes contracts

Social outcomes contracts (SOCs) require payment when an improvement in the chosen social outcome is achieved. Outcomes-based commissioning has delivered better results than traditional commissioning.[41] Overall, £215m has been committed to outcomes funding by the Government to date, which has delivered £1.9bn of public value and benefited 55,000 people.[42]

SOCs work well for preventative health interventions and where services need to be organised around individuals with complex problems, overcoming public service silos.

> Thrive North-East Lincolnshire (NEL) is a 'social prescribing' programme supporting people living with long-term conditions to create sustainable lifestyle changes.[43] Over 2,000 people have used the programme, with 92% of those engaged for 12 months, improving their wellbeing. A sample of participants who completed the programme cost the NHS 35% less in secondary care compared to a comparison cohort and £3.1m worth of outcomes were achieved in this contract.[44]

MARKET RECOMMENDATION

Investor coalitions, with relevant technical and health experts, could be developed to build investor capability to invest in health interventions. For instance, preventative healthcare impact metrics could be agreed by the coalition and other relevant health bodies such as the National Institute for Health and Care Excellence to set a standard of metrics for their investments. The investor coalitions could also feed into the 18 new commercial research delivery centres to be established to increase the UK's clinical trial capability and commercialisation of research with the private sector.[45]

"The NHS has significant strengths – accessibility, affordability, evidence-based procurement, and a centralised system."

GOVERNMENT RECOMMENDATION

The NHS centralised system prioritises accessibility and evidence-informed interventions, which should mean greater efficacy to scale the ventures globally. The Government could focus on two areas to further bring the strengths of the UK to the fore:

R&D Strategy: Aligning R&D funding through an R&D strategy to the areas that are important to the UK and for building an NHS of the future. A focus on Life Sciences through the Voluntary Scheme for Branded Medicine Pricing, Access and Growth Investment Programme is a good step in this direction. However, more clarity on other areas of healthcare will help investors fund interventions that are likely to be taken up by the NHS.

Sandbox: Innovation through a 'sandbox' approach which has been used in financial technology innovation could be implemented in this sector.[46] The idea is to provide academics and start-ups with deidentified and synthetic health data, in a safe and transparent manner, to test ideas and innovations. A similar approach is being tested in Denmark and may become more topical with the rise of AI in healthcare.[47] Furthermore, the UK offers a unique opportunity here due to its centralised nature and therefore potentially larger dataset than most other jurisdictions.

[41] Better Society Capital, 2024b.
[42] Better Society Capital, 2024b; 2025c; Bridges Fund Management, 2025a.
[43] Better Society Capital, 2024c.
[44] Bridges Outcomes Partnerships, 2025.
[45] Thomas, 2024.
[46] Elvidge et al., 2024; NICE, 2024.
[47] Novo Nordisk Foundation Data Science, 2020.

MISSION

Department: HM Treasury;
Department of Energy Security and Net Zero (DESNZ)

Make Britain a clean energy superpower

Issue

The UK has aims to reach net zero carbon emissions by 2050. The UK has also committed to a 68% reduction in emissions by 2030, as part of its Nationally Determined Contribution towards the Paris Agreement.[48] At the heart of this mission is to bring energy security, protect billpayers, create good jobs and help to protect future generations from the cost of climate breakdown.[49]

The transition to clean energy is attracting capital from a range of investors, but the focus of this section will be areas in which impact investors have a unique role to play. That means bringing out the social impact of climate change investments and delivering a just transition (social equity and community engagement alongside climate action).

How private capital can help

Impact investors were one of the first investors in climate technologies and ventures that support the transition to a low carbon economy.

Nova Pangaea Technologies (NPT) is an innovative clean energy company supported by Par Equity and now the UK Department of Transport (Advanced Fuels Fund of £9 million). NPT's REFNOVA® process converts woody and non-food derived agricultural biomass waste into 2G ethanol and biochar, which is used to produce sustainable aviation fuel (SAF) and naturally sequester carbon, respectively. It can also be used for soil improvement and as a filler in cement and asphalt. Combined on a lifecycle basis, the 2G ethanol and biochar production enables the delivery of carbon negative aviation fuel. NPT has partnered with British Airways and LanzaJet to deliver Project Speedbird, which will produce 102m litres of SAF annually in the UK from four plants, which will reduce CO_2 emissions by 230,000 tonnes per year on a net lifecycle basis. This could have a significant effect in the travel industry and for UK farmers. In addition, construction of the first plant is planned for Grangemouth, Scotland and will see hundreds of jobs created throughout the supply chain in rural Scotland and North England, as well as 45 full-time, green, local and highly skilled jobs on site once in operation.[50]

Ada Ventures aims to invest £100m in companies that help the lives of 100 million people. One such investment is in Low Carbon Materials (LCM), which has developed OSTO. The OSTO® product, is a carbon-negative lightweight aggregate designed to reduce the carbon footprint of concrete.[51] The impact of LCM's products on people in the UK could be significant. The UK Government aims to build 300,000 new homes each year and if 10% use OSTO, 65,000 tonnes of CO_2 emissions could be avoided in just five years.[52]

[48] Hutton et al., 2025.
[49] UK Government, 2024c.
[50] Nova Pangaea Technologies, personal communication, 2025.
[51] Ada Ventures, 2025; Low Carbon Materials, 2025.
[52] The Earthshot Prize, 2022.

Impact investors have been progressing a just and fair transition, to protect billpayers and low-income households.

People in poverty or on low incomes pay a 'poverty premium' (on average on average £490 per year) for the same goods and services as others.[53] The Fair by Design Fund is innovative in it's purpose as it aims to tackle this problem through venture investment, and also in it's design, as it includes people with lived experience of the poverty premium in the investment process. This fund has benefitted over 2.6m people across six SDGs.[54] Emergent is a venture with a mission to help all households benefit from the transition, regardless of their income level or property type. Emergent does this through microgrids for solar electricity on blocks of flats. Benefits include lower energy bills for residents and more commercially viable investment in solar by social housing providers without grants or subsidies.

The Scottish National Investment Bank (SNIB) has prioritised impact investment and is ensuring their investments shifting from oil and gas to renewable energy in the region embed a just transition approach. They have invested in Aurora Energy Services for example through a £20m debt facility to expand its regional training hubs. In addition, they have invested £50m in North Star to help the company move from oil and gas into the offshore wind supply chain. They take a joined-up approach to these investments moving across the supply chain and prioritising the people at the heart of the transition. These investments directly supported and safeguarded Just Transition jobs in the North East of Scotland.[55]

Impact investors are also funding circular business models to accelerate the shift to a low-carbon economy.

Mustard Seed has invested in Sojo, which aims to reduce clothing waste by making repairs more accessible.[56] Sojo have recently partnered with M&S, among other retailers, highlighting their growth.

Circularity Capital has funded Cocogreen, a global leader in the design and manufacture of low-carbon, high-yield coir growth substrate for berries, salads, citrus fruit and avocadoes. The products are manufactured using a by-product of the global coconut industry and have an improved nutrient distribution, minimises water use, delivers a higher production yield profile for farmers and has a smaller carbon footprint than associated incumbent peat-based growing media.[57]

Other innovations: Community energy finance facilities

Better Society Capital (BSC) has invested over £100m in community renewable energy. This includes finance facilities that lend flexibly to community groups to develop and acquire solar and wind assets across the UK. These assets deliver new clean energy alongside stable long term revenue streams for communities that can be reinvested into local challenges including energy efficiency support for lower income households and community buildings, climate resilience measures and biodiversity. BSC's energy generation and efficiency investments are estimated to save 85,000 tons of CO2 annually and are forecast to generate £49m in community benefit funds. BSC is launching a new facility to catalyse more community energy projects in 2025.

[53] Ascension, 2025.
[54] Better Society Capital, 2025a.
[55] Scottish National Investment Bank, 2024.
[56] Mustard Seed, 2025.
[57] Circularity Capital, 2025.

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MARKET RECOMMENDATION

As the complexities of addressing climate change deepen, there is a need to think holistically about investments and how they will lead to decarbonisation, impact local communities, create or deepen existing inequalities and interact with cascading climate effects.

Social impact metrics in transition planning: All climate investors could be encouraged to consider just transition principles and social impact metrics in their own transition plans and that of their ventures. This includes engaging with the local community and providing mechanisms for affected stakeholders to contribute. A detailed social impact assessment could also be conducted as part of this process which looks at how the costs and benefits of the interventions in the plan will affect different stakeholder groups and then have an associated action plan to build community resilience. Other social impact metrics that transition plans could consider include jobs created/transitioned, training for green skills, worker satisfaction during transition, supply chain metrics, community benefits created. These types of metrics will help protect bill payers, provide energy security and encourage job creation and development in this space. All of which are central to this mission. Eventually the metrics could be reported in a unified, central format to provide more information to the market once more firms start considering social impact metrics in their transition plans.

Underfunded areas should also be carefully considered by impact investors to ensure they fulfil their catalysing role in the economy. For instance, climate adaptation and nature-based solutions may be an area for impact investors to lead the way, based on existing expertise brokering blended finance arrangements with philanthropists. Other market failures that could be addressed include the scale-up of capital-intensive ventures addressing climate change.

“At the heart of this mission is to achieve energy security, protect billpayers, create good jobs and help to protect future generations from the cost of climate breakdown.”

GOVERNMENT RECOMMENDATION

There is significant interest in climate technology from the broader sustainable finance sector. To achieve additionality in this space, impact investors could lead the charge in addressing issues that aren’t currently being addressed. Policy recommendations to grow more impact investment in the climate sector include.

A net zero and adaptation investment strategy that is linked to the Climate Change Committee’s assessment of the UK would help investors ensure their investments will deliver the intended outcomes. This strategy could also encourage embedding just transition principles into investment decision-making. Additionally, granular sector pathways for the transition will help investors understand which interventions are required. The Net Zero Council could help facilitate this.

National Wealth Fund’s impact terms: One of the NWF’s target outcomes is to improve local economic opportunity and productivity illustrated through jobs created and the wage premium. The NWF could build in greater social impact terms in the investment process as the nation’s impact investor. For instance this may include building in community voice into the production of infrastructure or upskilling of the local workforce to ensure a just transition. It could also include deepening the impact practice of the NWF and projects funded, by building in social impact tracking into the investment and then aggregating and reporting these social impact metrics. Metrics could include (among others) the number of households powered, improvement in community health indicators, water usage statistics, biodiversity net gain, reduction in waste and ethical sourcing.

MISSION

Department: Home Office; Ministry of Justice; Department, Ministry of Housing, Communities & Local Government (MHCLG)

Safer streets

Issue

Violence against women and girls, knife crime, policing and the justice system are the pillars of focus for the Government in this mission. Around 79,000 adults and 100,000 children are considered to be at the highest risk of serious harm or murder each year in England and Wales alone. In 2023-24, the Government spent £195m on local domestic abuse services in England. Women's Aid estimates that adequate provision of specialist support services will cost £427m each year.[58] Many of these issues require strong prevention programmes to address the root causes of crime and abuse as well as strong partnerships to provide crisis response.[59] This is an area where we see less impact investors in the market, therefore market-facing recommendations have been made.

How private capital can help

The impact economy is experienced in addressing complex social problems such as domestic abuse and homelessness, which have implications on crime.

Women in Safe Homes is a £29m gender-lens impact investment property fund helping address the housing crisis for women escaping domestic abuse, leaving the criminal justice system and at risk of or experiencing homelessness. It was launched in December 2020 as a joint venture of Resonance and Patron Capital.[60] The fund purchases and refurbishes properties whilst being mindful of improving their environmental credentials, before leasing them to housing partners who then let these homes to women facing housing crisis, with a secure tenancy. One of the important differentiators of the fund, which is funded by 20 investors, is the specialist wrap-around support provided to women by partner organisations of the investor.[61]

MEIF West Midlands Equity Fund, managed by Midven, part of Future Planet Capital, has funded Forge, residential care homes for children which are equipped with communal gardens, sports, therapy, and amenity spaces. The care homes have been shaped with the trauma recovery needs of the young people in mind, which highlights the benefits of the impact economy in addressing these complex social issues.[62]

Other financial innovations: Public Private Partnerships (PPP's) and social impact investment

Some interesting PPP's have been developed in this area. In 2021 and 2022, MHCLG reallocated £25m from its existing housing budget to homelessness property funds in the form of a recyclable grant. BSC matched this with investment capital of £25m, leveraging in close to £140m of private investment, a 5.5x match on MHCLG's grant. This 'Everyone In' pilot aimed to deliver over 800 homes by the end of 2024. Alma Economics shows that for every £1 invested by a mix of public and private investors into Resonance's Homelessness property funds over their lifetime, and as well as repaying investors, the fund will have generated £1.55 in financial and social value for the Government.[63]

Social Investment Business' (SIB) investment into Change Please, a social enterprise that tackles homelessness through a barista training programme alongside wrap around support, is another interesting model supported by public investment. SIB provided £1m to Change Please to expand its coffee shops to 16 locations through the Recovery Loan Fund, which is supported by the British Business Bank.[64]

Lastly, The Skill Mill is an innovative intervention funded funded by Big Issue Invest and others. The Skill Mill aims to break down barriers to employment for young, ex-offenders, aged between 16-18 through the provision of work skills. This is funded through a social outcomes-based contract, where commissioners only pay for measurable outcomes achieved, which creates the investor return. In 7 years, The Skill Mill has employed 225 young people with a re-conviction rate of just 8%, compared to a counter factual of 72% for young offenders with 11+ convictions. 75% of the young people who have had access to The Skill Mill have progressed to further employment, education or training.[65]

MARKET RECOMMENDATION

Impact investors could look to fund initiatives and businesses addressing the social determinants of crime and homelessness. This would encourage the scale up of existing models of care proven out by the charities sector.

[58] Maclugash, 2024.
[59] SafeLives, 2024.
[60] Resonance, 2024.
[61] Resonance, 2024.
[62] Future Planet Capital, 2025.
[63] Resonance, 2025.
[64] Social Investment Business, 2025.
[65] The Government Outcomes Lab, (2023).

MISSION

Department: Department for Education; Department for Work and Pensions; and HM Treasury

Government break down barriers to opportunity

Issue

At the heart of this mission is quality early childhood education and support, alongside continued future opportunities for good employment as an adult. In early childhood education, expenditure per child in the UK is well below the Organisation for Economic Co-operation and Development (OECD) average (USD $7,462 compared to USD $12,749) and is among the lowest of all OECD countries for which data is available.[66] There is also a funding gap for children with special educational needs. The Government made significant announcements to address these issues in the Autumn budget, however additional support is required given the ambitious milestones.[67]

How private capital can help

Private capital has a role to play in addressing the investment gap in education across the full life cycle of a learner.

> Alpha Real's £1.2bn portfolio is invested in social infrastructure and real estate assets across health, housing and education.[68] This has included 1,266 nursery places, and the provision of 60 special education needs school places through such investments.

The UK's social innovation agency, Nesta, is working to narrow the education outcome gap through their fairer start mission.

> Nesta has an impact investment arm which has invested in the £550,000 seed round in the specialist out-of-school education provider Gaia Learning. Gaia Learning is a a north-west based edtech business which delivers live, online learning classes and courses for neurodivergent children aged 8-16 with ADHD and autism.[69]

> Other barriers to opportunity can include mental health and wellbeing for children and young people. Bethnal Green Ventures has funded Life Lessons, a business that provides student-centred personal development for schools to address bullying.[70]

Initiatives that help young people and adults to upskill and support them on their lifelong learning journey is an area the impact economy has delivered on.

> Ufi Ventures provides initial investments of £250,000 and can follow on in the most successful investments. They've funded Greenworkx which is a platform to train people in green skills and match them to green jobs.[71]

> Similarly, on adult education, Bethnal Green Ventures has funded Chatterbox, a tech for good company providing corporates with an online language learning service that trains and employs refugees as language tutors.[72]

MARKET RECOMMENDATION

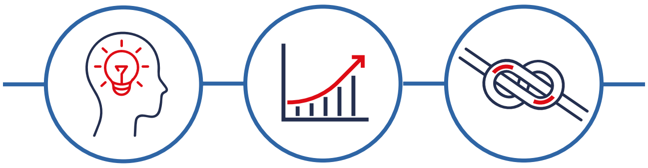
Most of the activity in the impact investment community in education relates to education technology. There is room for impact ventures to partner with educational institutions to build interventions that may help teachers or children within the classroom. In addition, investors could fund innovative upskilling platforms such as Sparta Global that help young people and adults excluded from employment, to upskill and re-enter the job force.

[66] OECD, 2024.
[67] Action for Children, 2024.
[68] AlphaReal, 2025.
[69] Nesta, 2024.
[70] Life Lessons, 2025.
[71] Ufi VocTech Trust, 2025.
[72] Chatterbox, 2024.

THE GLOBAL CITY

Conclusion

The Government has made bold commitments in the Autumn budget and Plan for Change, but without raising taxes or cutting spending, additional capital and strong partnerships with business will be necessary. The UK is a Centre of Excellence for impact investing, presenting the UK with a unique opportunity to unlock capital towards the Government missions. However, it is still a niche investment strategy, accounting for less than 1% of all UK assets under management. The Spending Review provides a chance for all government departments to consider the role impact-led capital can play towards meeting the Government missions.



The need and opportunity to scale impact-led capital to meet policy objectives is clear. The paper provides targeted recommendations, mapped to the missions, and organised into three categories: capacity building, deal flow and embedding impact into decision-making. By acting on these recommendations, the UK can unlock the full potential of impact-led capital to deliver meaningful and measurable progress on the Government missions.

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