

# **Speech by Ed Miliband MP at an event to celebrate first anniversary of Community Interest Companies**

**10 July 2006**

**CHECKED AGAINST DELIVERY**

## **Introduction**

I want to start by congratulating all of you gathered here for the great success you have made of the first year of CICs. It is because of your extraordinary initiative in areas from childcare to health to recycling and regeneration to young people that mean CICs have taken off in the way they have.

Let me also say it is a privilege for me to be the minister responsible for social enterprise and CICs. The decision to bring all the responsibilities for third sector issues from the Home Office and the DTI into the Cabinet office, which is at the centre of government, is a recognition of the central importance of what you do and the way it impacts every area of our national life. It is also a recognition that there is a very important co-ordination role to be played in the way departments operate which can only be done from the centre.

My argument today is three-fold:

CICs are an important innovation because of the concept they provide of locking in social benefit and creating lasting progressive institutions.

CICs and social enterprises are part of a wider challenge that third sector organisations are providing to public and private sectors.

As a progressive politician, I welcome this challenge and I want to try and use the power of government to help that challenge flourish.

## **The importance of CICs**

Let me start with the intentions behind the establishment of CICs. As Private Action, Public Benefit said: "A Community Interest Company would protect assets against distribution to members or shareholders, and create a strong new not-for-profit brand for small scale community-based social entrepreneurs...By making it possible for organizations which are not charities to protect their assets in law in this way, these changes will pave the way for growth in the sector."

Perhaps the best way I can explain why I think CICs are so important is as follows:

Britain's enterprises are the lifeblood of the marketplace, employing people, creating jobs and wealth for our country.

Britain's social enterprises do the same thing, but in a way which more explicitly puts social and ethical purposes at the core of what they do, reinvesting profits for the community.

As many social entrepreneurs have told me over the last couple of months, that makes the business of running an enterprise far harder: meeting a double or triple bottom line requires additional skills, commitment and vision.

I hope CICs make that job easier. The community interest test and the limit on the distribution of profits should help you reassure funders and customers of your broader purpose. And the asset lock should reassure *you* that the community objectives of your organisation will survive.

This is what makes CICs so exciting for me. As CICs, with an asset lock, you are social enterprises forever dedicated to your communities.

You have chosen to make a public, *permanent* declaration: this company will always work for and be representative to the community.

So you, the founders and supporters of the organisations here today, have not just achieved lasting changes in people's lives, although those are inspiring; you have also, in creating CICs, created lasting *agents* of change.

With the new RBS Natwest Social Enterprise magazine results which will be presented by Andrew Robinson later today, we get a fascinating insight into what motivates the founders of CICs.

For me the most striking finding is that the biggest factor by some distance in motivating the decision to establish a CIC was 'to prove social purpose'.

### **The Challenge to Public and Private Sectors**

This takes me on to the second part of my remarks: the nature of the challenge to public and private sectors from CICS, social enterprises and the third sector in general.

What has struck me most since I became the minister for the third sector is this: what people who work in a third sector organisation, whether it is a social enterprise, a community group, or a small charity tell me about what they do what they do.

It is all about serving a cause. And what is perhaps most striking of all is the number of individuals I meet who have left the corporate world to go and work in a social enterprise. The reason is always the same: a sense that there is more to life than simply making money, however much that is part of what we do.

The latest example was last Thursday when I spoke at an event for the Community Channel. I met their Head of Scheduling, Anna Fox, who told me that she had been on the Shopping Channel but frankly it had been hard to get up in the morning to persuade people to shop.

Now she worked at an organisation attempting to open up the world of television to the most excluded and find a way of nurturing movements for change through television.

Powerful anecdotes don't add up to rigorous sociology. But I cannot be alone in detecting a series of trends in this direction all centred around the third sector: whether it is make Poverty History or the emerging environmental movement, the increase in the numbers volunteering or the rapid growth in fair trade and ethical consumerism.

As someone who believes that our society and our world are unjust and unequal in so many different ways, this trend is incredibly welcome. Not just because of the specific work that you do but because it challenges practice in the public and private sectors which might be either perpetuating injustice or not doing enough to tackle it.

The challenge to the private sector is clear. It is a challenge to the practices and actions of private sector organisations domestically and internationally. CICs and social enterprises are showing you can run ethical businesses with social responsibility at the heart of what you do not as an add-on.

The private sector must, first, respond by showing that CSR is real and meaningful, not just symbolic. Many conventional companies already have a strong sense of corporate social responsibility, supporting staff volunteering or their local community – and we have encouraged them to do so, with innovations such as Payroll Giving. So the challenge of social enterprise is either to do more or make it real.

More importantly in a way, social enterprise represents a challenge to the way business operates: Does it respect the environment? Does it encourage good health? Does it appeal to the best of consumer habits? Does it respect local communities? Does it act to help tackle the problems of the developing world?

The interesting thing about the concept of social enterprise and CICs is that you pose competition to the private sector not in the conventional sense of market share but in the new sense of ethical standard.

And consumers are on your side, and are driving this process. They want to know that all the questions I asked can be answered positively, or else they may withdraw their business. This represents a profound change, I believe, even from a few years ago: you might say it is a change from a culture of narrow to ethical consumerism.

This then is the challenge to the private sector. What about the public sector? Here too, social enterprise, CICs and the third sector represent a profound challenge. The nature of

the challenge lies in what we have learnt about public services, which is that they will often only work with the engagement of the user.

This is a big challenge for the public sector because simply by its very nature, the public sector finds it difficult to reach out and engage with the hardest to help who have experiences of the public sector which will often make for suspicion and distance. Sometimes also it is not because of the inherent nature of the public sector but because of the practice of the public sector.

Of course, this is where the third sector and social enterprises and CICs come in. Not just the closeness to the user but the ability to innovate. Take one CIC represented here, AS-IT [“asset”], providing IT consultancy jobs for people with Aspergers syndrome. This is doing something the public sector would have found it harder to do: employing people with Aspergers in a way which respects and nurtures their talents rather than seeing them as a social problem.

The challenge this creates for the public sector is to be open to using the skills and talents of third sector organisations, including CICs, in different ways

### **The role for government**

This takes me on to the role for government in helping CICs and social enterprises to realise their full potential. As part of the Spending review which the Treasury and the Office of the third sector are embarked on, we are tasked with coming up with a ten-year vision for the relationship between government and third sector.

What this will not be is a top-down blueprint but it must provide a route-map for the relationship of government to third sector in the next decade, and in particular, we face the challenge of mapping out the potential evolution of social enterprise and CICs.

I want to hear from you both today and in coming weeks, including at the special social enterprise consultation on July 24<sup>th</sup> but let me talk briefly today about the different areas we need to consider as we nurture and foster the growing social enterprise movement.

First, the legal and regulatory structures. Working with you and listening to your needs, CICs represent the first new form of company for 100 years. I want to pay tribute today to the CIC regulator, John Hanlon for striking the right balance in his regulatory role. In particular, it is a very good sign that 89% of those surveyed have said that they found it quite or very easy to navigate their way through the CIC application process.

Of course, as with all companies we need to continue to bear down on unnecessary regulation and as part of the spending review, stand ready to hear representations about the situation facing social enterprises and CICs, whether in particular or as part of business regulation in general.

We also need to look at all the legal forms that exist and see whether they require modernisation. In particular, I know there is a desire among some for us to look again at the role of Industrial and Provident Societies.

Second, the business environment, where we need to identify and fix market failures and ensure social enterprises are enabled to develop a sound asset base.

I believe Futurebuilders has the potential to transform the financing prospects of social enterprises seeking to deliver public services. It represents a new model, in which the public sector supports social enterprises and other third sector organisations through loan finance, as they seek to win contracts for the delivery of services. What is exciting about it is that as organisations become self-financing the repayed loans can then finance new social enterprises. Already, millions of pounds have been provided and millions more will be lent in the coming years.

But issues of finance for social enterprises and CICs do not just lie in the delivery of public services. More generally, we need to tackle the particular finance challenges facing social enterprises and it is striking that 37% of CICs surveyed said access to finance was the biggest barrier facing them.

We have recently commissioned new research, to be concluded this summer, to look at this in detail and we are also assessing the experience of Community Investment Tax Relief from which accredited Community Development Finance Institutions can raise capital.

At a local level, we are also examining how we can strengthen the support provided by Regional Development Agencies. All of them have included social enterprises in their Regional Economic Strategies and Business Links and are continuing to learn more about social enterprises. But I understand that more needs to be done to put social enterprise at the heart of what the RDAs do.

All of this work will inform the Social Enterprise Action plan, which will be published in the Autumn.

I also believe we should see where we can make progress on the issue of community right to buy which could make an important difference to the ability of social enterprises in local communities to develop an asset base. Often in local communities we see assets at the heart of an area sold off to the private sector when there is a community need and interest in using the assets for the purposes of social enterprise. This is an area that is being discussed as part of the forthcoming local Government White Paper

The third task for government is to make the process of working with the public sector easier for social enterprises. Some of the basic issues are familiar: the need for multi-year contracts, full cost recovery, streamlined monitoring and appropriate apportionment of financial risk.

On all these areas, we know we need to make progress. Let me highlight the issue of multi-year funding in particular. I was an adviser in the Treasury in 1998 and 2004 when we introduced three-year funding respectively for central and local government. The purpose was not simply to bring stability to these departments but to the organisations they contract with and fund. I am determined that three year funding should start to become the norm and not the exception.

Progress also needs to be made on contracting with social enterprises so that contracts are simpler and standardised. So we are working to develop standard contracts for key service areas, to allow social enterprises better opportunities to bid for services.

The Public Services Action Plan, published in the Autumn, will also look at new areas where social enterprise can play more a role. This is not simply about increasing the role of third sector organisations in delivering existing existing services. It is about the way in which those services are delivered. For example the Department of Health's Expert Patient Programme, which trains people to be experts in the management of their own conditions and use their expertise to help others, is becoming a CIC. This will allow it to reach even more people and develop according to the needs of patients.

The fourth and final area which I think will shape the success of social enterprises and CICs in the years to come is in the shaping of our national culture. Twenty percent of you said that lack of understanding of the CIC model was the biggest barrier you faced: the second highest factor cited.

I am determined that government does more to bang the drum for CICs and for social enterprise. From schools to boardrooms, we will do more to explain what CICs are and to show what they can do. We want to do more to raise the profile of social enterprise further, and this year we are working with Enterprise Insight to make this year's social enterprise day, Thursday November 16, a real chance to highlight the work of social entrepreneurs.

But we can do none of this alone. So there is a remaining challenge for you – for CICs, for social enterprise, and for all those engaged in serving their community.

I hope you will keep strong your commitment to community action, demonstrated in such diverse ways by the CICs here today.

I hope you will keep showing the world – the private sector, other organisations here today – that CICs and social enterprise can compete on business success and social conscience, and win.

And I hope you will keep telling us how we can do things better. When you told us that you would benefit from a new legal structure, with less regulation and a public commitment to community benefit, we created it.

In the Autumn we will publish our action plan for social enterprise, setting out our future agenda for social enterprise and CICs; and the Pre-Budget Report will contain the initial set of thoughts on a ten-year vision for the third sector as a whole.

## **Conclusion**

One year on, CICs are taking off far more quickly than we could have expected.

That is a tribute to you.

Your work reminds me of the words of an American politician Robert Kennedy in speech 40 years ago. He warned of the danger facing society, a danger we also face today: the danger of futility. As he put it, “the belief there is nothing one man or one woman can do against the enormous array of the world's ills”.

But he was convinced the response to that could come from the work of heroic individuals. For, he went on:

“Each time [someone]...stands up for an ideal, or acts to improve the lot of others, or strikes out against injustice, [they] send forth a tiny ripple of hope, and crossing each other from a million different centers of energy and daring, those ripples build a current that can sweep down the mightiest walls of oppression and resistance.”

In a year you all have shown through your work that you can send forth ripples of hope through communities here and around the world.