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Political and Constitutional
Reform Committee

Political party finance

Thirteenth Report of Session 2010-12

Report, together with formal minutes

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The Political and Constitutional Reform Committee

The Political and Constitutional Reform Committee is appointed by the House of Commons to consider political and constitutional reform.

Current membership

Mr Graham Allen MP (*Labour, Nottingham North*) (*Chair*)
Mr Christopher Chope MP (*Conservative, Christchurch*)
Paul Flynn (*Labour, Newport West*)
Sheila Gilmore MP (*Labour, Edinburgh East*)
Andrew Griffiths MP (*Conservative, Burton*)
Fabian Hamilton MP, (*Labour, Leeds North East*)
Simon Hart MP (*Conservative, Carmarthen West and South Pembrokeshire*)
Tristram Hunt MP (*Labour, Stoke on Trent Central*)
Mrs Eleanor Laing MP (*Conservative, Epping Forest*)
Mr Andrew Turner MP (*Conservative, Isle of Wight*)
Stephen Williams MP (*Liberal Democrat, Bristol West*)

Powers

The Committee's powers are set out in House of Commons Standing Orders, principally in Temporary Standing Order (Political and Constitutional Reform Committee). These are available on the Internet via <http://www.publications.parliament.uk/pa/cm/cmstords.htm>.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pcrc. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Steven Mark (Clerk), Hannah White (Second Clerk), Hannah Stewart (Legal Specialist), Lorna Horton (Inquiry Manager), Louise Glen (Senior Committee Assistant), Jim Lawford, (Committee Assistant) and Jessica Bridges-Palmer (Media Officer).

Contacts

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Summary

Despite reforms in recent years to the funding of political parties, public concern about the integrity of current arrangements remains. All the main political parties have asserted the importance of resolving the issues around political party finance, but there is a notable lack of progress towards reaching such a resolution. This concerns us.

In this Report we highlight the opportunity represented by the publication, on 22 November 2011, of the report of the Committee on Standards in Public Life on *Political Party Finance*, to achieve a cross-party solution to the issue. The Government should set out how it intends to achieve a balanced, non-partisan solution, before public confidence in politics is further undermined by some future scandal.

Political party finance

Introduction

1. On 22 November 2011 the Committee on Standards in Public Life (CSPL) published its report on *Political party finance*, the latest contribution to a debate which has been underway since the 1990s.
2. On 15 December we met informally with the CSPL to discuss the report, its reception and possible next steps on party political finance.

Background

3. Following demand during the 1990s for greater transparency in the funding of political parties, legislation was introduced requiring political parties to record donations and limit their spending.¹ In May 2006, the Government launched a *Review of the Funding of Political Parties*, to develop proposals for reform of political party finance, chaired by Sir Hayden Phillips, a former civil servant. Talks between the three main parties followed the publication in March 2007 of the Phillips report,² but were suspended without agreement in October 2007.

4. There is evidence that the public continue to lack confidence in the integrity of the current arrangements for party political funding.³ The CSPL itself describes these as “clearly corruptible”.⁴ The main parties agree that there are concerns to be addressed, and before the 2010 General Election they all signalled their commitment to tackle the issue of political party finance. The Conservative Manifesto stated that the party would seek a comprehensive package of reform that would encourage individual donations and include an “across the- board cap on donations”.⁵ The Liberal Democrat Manifesto set out the party’s wish to “Get big money out of politics” by capping donations at £10,000 and limiting spending throughout the electoral cycle.⁶ The Labour Party Manifesto suggested that reopened discussions on party funding reform should take Hayden Phillips’ proposals as a starting point and proceed “with a clear understanding that any changes should only be made on the basis of cross-party agreement and widespread public support.”⁷ The Government’s commitment to the issue was underlined in the Coalition Agreement of May 2010, which stated:

1 The main provisions of the Political Parties, Elections and Referendums Act 2000 were: registration of parties, so that parties had to supply details of income and expenditure; disclosure of donations made to national parties, individual candidates and campaigning groups associated with parties; national expenditure limits, supplementing constituency limits in force since the 19th century; and, the creation of an Electoral Commission, partly to oversee the new rules, but without powers of prosecution.

2 Sir Hayden Phillips, *Strengthening Democracy: fair and sustainable funding for political parties*, March 2007

3 Committee on Standards in Public Life, *Political party finance: ending the big donor culture*, Cm 8208, November 2011, p22

4 As above, p8

5 *The Conservative Manifesto 2010*, p66

6 *Liberal Democrat Manifesto 2010*, p89

7 *The Labour Party Manifesto 2010*, p9:4

We will also pursue a detailed agreement on limiting donations and reforming party funding in order to remove big money from politics.⁸

5. The Deputy Prime Minister, the Rt Hon Nick Clegg MP expanded on this commitment during the debate on the Queen's Speech:

The influence of big money runs much deeper. It is time to finish what was started three years ago in the cross-party talks on party funding. Every party has had its own problems, but we all now have an opportunity to draw a line under them, so we will seize that opportunity. We will pursue a detailed agreement on limiting donations and reforming party funding to remove big money from politics for good.⁹

The CSPL report

6. In July 2010, the CSPL launched its inquiry into *Political party finance*. The Government welcomed the inquiry and promised to consider the CSPL's conclusions before taking forward its commitment.¹⁰

7. However, on 15 November 2011, Nick Clegg, pre-empted the publication of the CSPL report, telling the House that it would not be right to ask "hard-pressed taxpayers" to pay more to political parties at a time when they were already coping with difficult economic conditions.¹¹ This intervention undermined the reception of the report, published one week later.

8. The four main recommendations in the CSPL report are:

A limit of £10,000 should be placed on donations from any individual or organisation in any year to any political party with two or more elected representatives in Westminster or in any of the devolved legislatures.

The cap should apply to donations from all individuals and organisations, including trade unions. But it would be possible to regard trade union affiliation fees as a collection of individual payments, to which the cap applied individually, by requiring the individuals on whose behalf the payments are made to opt in to the fee. It would also be necessary to meet certain other conditions to ensure that undue influence cannot be exerted.

The existing limits on campaign spending in the period before an election should be cut by the order of 15 per cent.

Existing public support to the political parties should be supplemented by the addition of a new form of public support paid to every party with two or more representatives in the Westminster Parliament or the devolved legislatures. The public funding should depend on the number of votes secured in the previous

8 *The Coalition: our programme for government*, May 2010, p21

9 HC Deb 7 June 2010 c42

10 For example HC Deb 11 October 2011 c341W

11 HC Deb 15 November 2011 c683

election, at the rate of around £3.00 a vote in Westminster elections and £1.50 a vote in devolved and European elections. Income tax relief, analogous to Gift Aid, should also be available on donations of up to £1,000 and on membership fees to political parties.¹²

The Rt Hon Margaret Beckett MP and Oliver Heald MP dissented from some of the recommendations in the report, and set out their reasons for doing so in an appendix to it.

9. The CSPL presents its recommendations as a package, rather than a menu from which items can be selected. Thus the provision of state funding to political parties is the “uncomfortable” but necessary consequence of implementing a cap on donations of £10,000.

Response

10. The Government repeated its rejection of the principle of additional public support for political parties in a Written Ministerial Statement issued on 23 November:

The Government believe that the case cannot be made for greater state funding of political parties at a time when budgets are being squeezed and economic recovery remains the highest priority. Reform remains a priority and is best achieved as far as possible by consensus. To that end we plan to continue cross-party discussions based on the principles identified by the Committee and the Government’s reform commitments.¹³

11. The Government’s rejection of public support for political parties was echoed by representatives of the three main parties¹⁴ and much of the press. Yet the CSPL notes that the main political parties already receive public funding of around £7 million a year (in the form of Short Money, Cranborne Money and Policy Development Grants)¹⁵, as well as significant benefits in kind (including party political broadcasts and free postage).¹⁶

12. The cost of the CSPL’s proposed additional support could amount in total to a further £23 million per year. This is, as they note, “not trivial”. But at around £1 per year per income tax payer or 50 pence per elector, neither would it be a substantial burden. As it has

12 *Political party finance*, Thirteenth report of the Committee on Standards in Public Life, CM8208, November 2011, p8-9

13 HC Deb 23 November 2011 c25WS-26WS

14 The Conservative party co-chairman Baroness Warsi said: “the public will simply not accept a plan to hand over almost £100m of taxpayers’ money to politicians” (“Reform party funding or politics will sink in sleaze, says watchdog”, *The Independent*, 23 November 2011); the Liberal Democrat president, Tim Farron MP, said: “While it is clear now is not the time for more public money to be spent on politicians, that shouldn’t stop us taking immediate action to reform political funding” (“Political parties ‘should get more taxpayer funding’”, *BBC News online*, 22 November 2011); and Michael Dugher MP, Labour’s Shadow Cabinet Office Minister, said: “In the current economic environment, we recognise that a significant increase in state funding for political parties is not a priority and any such measure would need to command broad public support” (“Labour: Tories wouldn’t accept party funding cap”, *Politics.co.uk*, 22 November 2011).

15 In 2010-11 £6.3 million of Short Money was allocated to the six eligible parties (the Labour Party, the Democratic Unionist Party (DUP), the Green Party, Plaid Cymru, the Social Democratic and Labour Party (SDLP) and the Scottish Nationalist Party (SNP)), £587,000 was allocated in Cranborne Money – the equivalent of Short Money in the House of Lords – including to crossbench peers, and £2 million was allocated in Policy Development Grants to all the main political parties.

16 *Political party finance*, p35-37

been put to us, it amounts to little more than the cost of a telephone vote for an act on the television programme 'X-Factor'.

Next steps

13. In these times of economic difficulty, the issue of party political funding may not be at the forefront of most voters' minds. But the suspicion that donors are able to exert improper influence or receive favours in return for their contributions to political parties continues to taint the public view of party politics. The CSPL report is an opportunity to reach a cross-party consensus on a solution to this vexed issue.

14. We are not in a position to comment on the particular merits of the package of recommendations proposed by the CSPL, given the differences of view which exist on our own Committee. However we note that the report on which the recommendations are based is thoroughly researched, balanced and thoughtful. Its recommendations can only be treated as a package; any cherry picking of recommendations risks being seen as partisan. It is clear to us that the CSPL has striven to ensure that the impact of its recommendations taken as a package would be reasonably even-handed between the two main parties. **The Government and political parties should consider the CSPL report seriously as a basis for future negotiations.**

15. **No party should be perceived as having gained disproportionately from reform in this area. A solution perceived as partisan would undermine any positive impact on public opinion which would otherwise be achieved by resolving the issue.**

16. **A cross-party solution will not be easy to achieve. But public confidence in politics risks being further undermined if some future scandal intervenes before a solution is in place. The Government and political parties must seize the opportunity presented by the CSPL to find such a solution. The Government has a particular duty to pursue an agreement, and should set out how it intends to take this commitment forward before the summer.**

Conclusions and recommendations

1. The Government and political parties should consider the CSPL report seriously as a basis for future negotiations. (Paragraph 14)
2. No party should be perceived as having gained disproportionately from reform in this area. A solution perceived as partisan would undermine any positive impact on public opinion which would otherwise be achieved by resolving the issue. (Paragraph 15)
3. A cross-party solution will not be easy to achieve. But public confidence in politics risks being further undermined if some future scandal intervenes before a solution is in place. The Government and political parties must seize the opportunity presented by the CSPL to find such a solution. The Government has a particular duty to pursue an agreement, and should set out how it intends to take this commitment forward before the summer. (Paragraph 16)

Formal Minutes

Thursday 26 January 2012

Members present:

Mr Graham Allen, in the Chair

Sheila Gilmore
Mrs Eleanor Laing

Mr Andrew Turner
Stephen Williams

Draft Report (*Political party finance*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Thursday 2 February at 9.45 am

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Parliamentary Voting System and Constituencies Bill	HC 422
Second Report	Fixed-term Parliaments Bill	HC 436 (Cm 7951)
Third Report	Parliamentary Voting System and Constituencies Bill	HC 437 (Cm 7997)
Fourth Report	Lessons from the process of Government formation after the 2010 General Election	HC 528 (HC 866)
Fifth Report	Voting by convicted prisoners: Summary of evidence	HC 776
Sixth Report	Constitutional implications of the Cabinet Manual	HC 734 (Cm 8213)
Seventh Report	Seminar on the House of Lords: Outcomes	HC 961
Eighth Report	Parliament's role in conflict decisions	HC 923 (HC 1477)
Ninth Report	Parliament's role in conflict decisions: Government Response to the Committee's Eighth Report of Session 2010-12	HC 1477 (HC 1673)
Tenth Report	Individual Electoral Registration and Electoral Administration	HC 1463
Eleventh Report	Rules of Royal Succession	HC 1615
Twelfth Report	Parliament's role in conflict decisions—further Government Response: Government Response to the Committee's Ninth Report of Session 2010-12	HC 1673