



**Committee on
Standards in
Public Life**

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**POLITICAL FINANCE IN BRITAIN:
BRITISH PARTY AND PARLIAMENTARY CANDIDATE EXPENDITURES AND FUNDING
2010 – 2015**

By

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B. BRITISH PARTY AND PARLIAMENTARY CANDIDATE EXPENDITURES,
2010 – 2015

C. HOW IS CONTEMPORARY BRITISH POLITICS FUNDED?

INTRODUCTORY NOTE AND EXECUTIVE SUMMARY

What are the problems?

Clearly there IS a problem - or series of problems. Continued scandals attest to that. But it is important to clarify what the problems are and are not.

The first part of my study – the review of party and candidate **expenditure** in the 2010-15 cycle does not reveal any major problems. There was not a spending “arms race” between the two main parties. Nor was there a spending difference between them sufficient to justify charges of major unfairness in the system.

The main source of concern lies in the manner in which the parties derive their **income**. The principal source of the problem is low (and, in the case of the Conservatives, rapidly declining) party membership.

Major challenges are:

- **Reliance on mega-donors.** This, in turn, raises questions of alleged rewards for these donors in the form of peerages and other public honours, privileged access, and of influence on policy. These are areas of frequent speculation but inadequate solid research.
- **Use of public funding for partisan purposes.** At almost all levels of elective politics, incumbents have become entitled to public money to aid them in their duties to their electors. There is a tendency to use some of this money as a form of backdoor state funding of parties and for the re-election of incumbents.
- **Re-channeling of political money into relatively unregulated streams.** The focus of the Political Parties, Elections and Referendums Act of 2000 on donations specifically to political parties, has made it rational for donors to use alternative channels of influence. Pressure groups, NGOs and think tanks may serve as “offshore islands” of political parties.

In addition, a number of emerging problems deserve fuller examination and research. Further issues are:

- **Arguable shortcomings in regulation and enforcement of existing political finance laws.** Some of these were stressed in 2007 in the 11th Report of the Committee on Standards in Public Life. The effectiveness not only of the Electoral Commission but also of other regulators such as the Charity Commission arguably need to be examined.
- **Ambiguities in details of existing political finance legislation** For example, there are spending caps on campaigning both by political parties and by candidates. Is the boundary line between their budgets sufficiently clear? What difficulties emerge from the fact that spending by candidates is subject to the Representation of the People Acts (and is administered by local government officials subject to [theoretical] direction from the Cabinet Office) while party election spending is subject to PPERA, which is subject to enforcement by the Electoral Commission?

The background

Apart from the low level of party membership and activity and the growth in public funding of incumbent politicians, a further reality seems to be the growth among residents in the UK of a class of super-rich

individuals. Whether they seek to use their wealth to secure political influence, the means they tend to employ, and the extent to which they actually achieve influence are important questions but are difficult to research systematically.

It is convenient to focus on the funding of parties and candidates; the deployment of money in politics is something much wider. Significantly, several American Nobel Prizewinning economists have stressed what they see as the impact on public policy of this group of super-rich.

The role of the CSPL

The manner in which CSPL approaches possible work on political finance depends largely on the way in which members see the Committee's role. It has been suggested that the Committee is likely to achieve more if, for the time being, it avoids the "grand vision" of reform attempted in its 2011 Report since there was no consensus on the introduction of large-scale public funding. There nevertheless may be an opportunity to agree on a more limited package which commands cross-party agreement and which addresses some of the most pressing difficulties.

Recommended approach

A three-track approach may be advisable:

1. Explore a limited package of reforms designed to limit large donations and to encourage small ones.
2. Examine the effectiveness of current arrangements for the enforcement of existing political finance laws. Examine significant details of current legislation concerning political finance [including legislation concerning the financing of referendums].
3. Commission associated research to be funded mainly or entirely by one of the Government's research councils and/or a suitable academic institution. .

These reports are submitted in a personal capacity.

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**BRITISH PARTY AND PARLIAMENTARY CANDIDATE EXPENDITURES
2010 – 2015**

**A study of the Conservative, Labour, Scottish Nationalist and United Kingdom Independence
Parties.**

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(1) INTRODUCTION

(A) Purpose and scope of this study

This study is the first part of a three-section commission. It replicates for the 2010-2015 parliamentary cycle the same information on spending by the main political parties as that prepared by the author for the previous cycle (2005-2010). The Committee on Standards in Public Life¹ commissioned both.

Once again, the paper covers the finances of the Conservative Party, the Labour Party and the Liberal Democrats. In addition, it includes the SNP and UKIP, which were not covered in the previous study.² It also gives some statistics on longer-term trends.

The narrow objective is to set out factual information and estimates. They may be interpreted and used in different ways by readers. The author's interpretations are given in two separate submissions.

(B) The problem of inconsistent and changing accounting conventions.

The technicalities and limitations of examining the published accounts of UK political parties are similar for 2010-2015 as they were for the previous five years. Therefore, this section draws heavily on the wording of the report submitted to the Committee in 2011.

Published party accounts in the UK and many other countries are a minefield. The French scholar and senior civil servant Yves-Marie Doublet has called party accounts works of fiction. He had in mind some countries where their accuracy and honesty is in question. But even if the accounts are drawn up accurately (which this study assumes to be the case for UK parties), they are liable to misinterpretation.

British political parties are independent organisations. They may draw up their financial accounts in

¹ Michael Pinto-Duschinsky (2011). *The Finances of the Three Largest Political Parties 2005-2010* (London: Committee on Standards in Public Life). http://webarchive.nationalarchives.gov.uk/20131002005939/http://www.public-standards.gov.uk/wp-content/uploads/2012/11/Pinto_Duschinsky_The_finances_of_the_largest_three_British_political_parties_Sept_2011.pdf

² More precisely, the 2011 study gave partial information on limited aspects of SNP finances and none on those of UKIP.

different ways.³ Within each party head office, accounting conventions change over time. Moreover, parties are decentralised. The accounts of local party branches are often the work of amateurs. They are not necessarily transmitted to the party headquarters; they are not standardised; frequently, it is unclear whether the accounts of constituency party organisations consolidate those of ward branches. For all these reasons, party finance statistics may be misleading. The rise or fall in the headline total of income or expenditure of a political party may either reflect a real change in fortunes or a change in accounting methods.⁴ The fact that parties follow different criteria in drawing up their accounts makes it misleading to compare the raw figures.

Parties would have substantive reasons for resisting a demand to alter the manner in which they conduct their internal affairs for the sake of convenience of a common reporting format. For example, the Liberal Democrats do not have a single "central" party organisation. In keeping with its traditions (dating back to the split in 1916 between the Herbert Asquith and David Lloyd George factions of the Liberal Party) it keeps separate the accounts of the Parliamentary Office from those of the extra-parliamentary headquarters. Moreover, because of the party's political philosophy of federalism, it separates its central accounts into those of a "federal party" and of "state" parties in England, Scotland and Wales. For these reasons, the accounts of the "federal" headquarters of the Liberal Democrats are not equivalent to those of the National Executive Committee of the Labour Party or of the Conservative Central Office.

These differences in accounting procedures tend to be ignored by commentators and, with less excuse, in official reports. For example, the Electoral Commission web site gives trend statistics of the finances of what it calls "central" party organisations even though there is no standardised definition of what constitutes "central" parties or their "central" accounts. The interim report of the Review of the Funding of

³ There is an exception to lack of regulation of the format and accounting conventions of party accounts. Reports of election spending must use set categories.

⁴ Consider a simple example: if a local party organisation arranges a fundraising dinner involving spending of £1,000 and revenue of £2,000 – a net profit of £1,000. If the net profit is entered into the accounts, total income and spending of the organising body will be £1,000 lower than if both spending and gross revenue are included in the accounts. When accounting conventions change, as sometimes happens, this may give a false impression of a real change in expenditure levels.

Political Parties published by Sir Hayden Phillips in 2006 not only published non-comparable raw statistics of the central organisations of the three main parties but, in addition, failed to distinguish between these national-level accounts and the overall accounts of the each entire party (national and sub-national combined). Back in 1975, Lord Houghton's report failed to notice that the Liberal Party annual accounts of the time - unlike those of the Conservatives and Labour - excluded election costs.

The difficulty of adapting published party accounts to make them standardised over time and between different parties is increased by the fact that changes of staff mean that parties organisations are sometimes unable to determine the basis on which figures were drawn up even for recent years.⁵

If there is a common vice of scholars of political finance, it is the tendency (especially when it comes to international comparisons) to accept official statistics at face value and to fail to take sufficient care with checking the sources and accounting conventions on which they have been based.

Bearing these problems in mind, this report attempts to analyse the following:

- (i) CENTRAL AND LOCAL SPENDING ON THE 2015 GENERAL ELECTION
- (ii) CENTRAL PARTY SPENDING IN ELECTIONS FOR THE DEVOLVED ASSEMBLIES AND THE EUROPEAN PARLIAMENT 2011- 2014
- (iii) CENTRAL PARTY EXPENDITURE 2010-2015 (ROUTINE AND CAMPAIGN).

The aim is to analyse these overall central party accounts so that they are comparable to those for the 2001-2005 parliamentary cycle given in the author's study *Paying for the party: myths and realities in British political finance* (London: Policy Exchange, 2008) and for the 2005-2010 parliamentary cycle given in the author's study *The Finances of the Three Largest Political Parties 2005-2010* (London: Committee on Standards in Public Life, 2011).

The Liberal Democrat central accounts pose special problems because of the party's complex

⁵ When they are in opposition in the House of Commons and thus entitled to a share of "Short Money" (state aid to opposition parties in the House of Commons), parties differ as to whether they include all, some or none of this money in their central party accounts. In part this reflects lack of precision about the application of the rules for the use of this state aid. Though intended solely for the parliamentary functions of opposition parties, it tends to be used in part to subsidise their extra-parliamentary headquarters.

internal accounting procedures. There are significant transfers of money between separate accounts of the federal, parliamentary, English, Scottish and Welsh Liberal Democrat organisations.

Moreover, the Association of Liberal Democrat Councillors carries out some of the functions which, in the other parties, are covered by their central organisations. The Liberal Democrats have been reluctant to draw up a consolidated set of central accounts for fear of impinging by implication on the autonomy of the different organs concerned.

The central Liberal Democrat spending figures which have been prepared for this report attempt to consolidate these multiple separate but interlinked accounts (see Appendix 1). The totals are subject to error, though they probably are fairly minor. However, the consolidated statistics are not useful for purposes of historical comparisons since many past accounts are unavailable.

(iv) ESTIMATED SPENDING BY LOCAL CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT PARTY ORGANISATIONS IN THE NON-ELECTION YEAR 2013.

This crucial part of the picture is hard to research because (1) "accounting units" (mainly local party organisations) are required to submit accounts to the Electoral Commission only if their annual income of expenditure reaches £25,000. Most accounting units fall short of the reporting threshold. Central party organisations sometime collect additional information about local organisations whose finances fall below the legally required reporting threshold but this information is incomplete and sometimes unavailable. A comprehensive review of local party expenditures would therefore make it necessary to collect hundreds of local accounts for each party and for each year. (2) Local party accounts are drawn up according to different accounting conventions. (3) More comprehensive information is available about spending by candidates in parliamentary elections since candidates are legally required to submit this to local returning officers (local government officials). Even so, the statistics for spending by candidates in the 2015 general election collected by the Electoral Commission and published on 14 March 2016 were, according to the Commission, only 86.5% complete.⁶

⁶ See Electoral Commission (2016). "UK general election candidate and party spending: Table: Party and candidate spending at 2005, 2010 and 2015 UK general elections" (London: Electoral Commission, 14 March.) <http://www.electoralcommission.org.uk/find->

(C) Limitations

This report presents a considerable amount of information which is unavailable or hard to find on the website of the Electoral Commission. Nevertheless, it has at least nine significant limitations. Some of them derive from the scale of the work commissioned by the Committee on Standards in Public Life and on the time available for the collection of materials. They do not reflect any political value-judgements.

First, the report is restricted to the five political parties which won the most votes in the 2015 general election.

Second, there is no attempt to draw up overall (central and local, routine and campaign) spending figures for each of the three political parties during the entire parliamentary cycle of 2010-2015 comparable with the totals prepared for the 2001-2005 cycle for *Paying for the party*. Such an exercise would make it necessary to calculate estimated transfers between central and local parties in order to avoid double counting.

Third, the estimates of routine spending by local party organisations have been drawn up on less comprehensive evidence than that collected for *Paying for the party*.

Fourth, at the time the study was being prepared, national party accounts for the financial year 2015 were not yet published. The study will thus need to be amended following such publication.

Moreover, the Electoral Commission has still, at the time of writing, to collect from local Returning Officers information from 63 constituencies about spending by candidates in the 2015 General Election.⁷

[information-by-subject/elections-and-referendums/past-elections-and-referendums/uk-general-elections/candidate-election-pending/uk-general-election-candidate-and-party-spending?](#) Concerning information about candidate spending during the “long” campaign, this information was listed as zero for 47.3% of the candidates.

⁷ Communications of 2 and 3 June 2016.

Fifth, the study does not examine the extent to which state funding for the staffs of MPs, opposition parties in Parliament, for MEPs, members of the devolved assemblies and for local government councilors is used in practice for partisan purposes and which therefore operate as additional forms of party political spending.⁸ This topic is discussed in a separate section. Moreover, the published accounts of the main national parties have been unclear about the treatment of the finances of the offices of the party leader when the party is in opposition and about payments out of party funds for the employment of certain members of the political staffs within Number 10 Downing Street when the party is in government. Party leaders and other prominent politicians sometimes have raised funds for their own offices, for example the "blind trust" collected to finance the activities of Tony Blair's staff when he led the Labour Party while it was in opposition before the general election of 1997.

Sixth, the costs of campaigns for election to internal party positions as mayoral or parliamentary candidates or as party leader are not included in the national party accounts.⁹

Seventh, it does not estimate the value of services in kind such as free postage and free broadcasting time given to parties and candidates.

Eighth, it does not give statistics for party and candidate spending on elections held between 2010 and 2015 other than the 2015 General Election. For the 2011 elections to the Scottish Parliament and to the National Assembly for Wales and for the 2014 election to the European Parliament, it provides statistics for central party spending in these elections but not for that of candidates. These

⁸ For a discussion of this topic, see [Michael Pinto-Duschinsky \(2008\)](#). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange, 27-34.

<http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%202008.pdf>

⁹ The author is grateful to Susan Scarrow for referring him to her useful international review of the subject. See Susan E. Scarrow (2013) "Intra-Party Democracy and Party Finance." In *The Challenges of Intra-Party Democracy*. Edited by William P. Cross and Richard S. Katz, 157. Oxford: Oxford University Press. The list of declarable donations (that is, of at least £1,500 each) published by the Electoral Commission showed the considerable sums donated to candidates in 2010 in the contest for the Labour Party leadership. The list excludes any smaller donations and does not record whether the donations were actually spent in the leadership election. Declarable donations for the leadership election amounted to £48,000 for Andy Burnham, £158,110 for Ed Balls, £336,776 for the winner Ed Miliband, and £623,809 for David Miliband. As Scarrow points out, leadership elections involve not only the campaigning costs of the candidates but also the costs to the party organisation of administering a ballot of party members.

missing costs as well as the costs of local elections are partly, probably largely, included in the statistics relating to overall central and local party expenditure.

Ninth, it would require detailed financial data and extensive work by professional accountants to draw up authoritative accounts on a basis standardised for the five political parties which gained the most votes in the 2015 general election and which are covered here. This study does not pretend to be a surrogate for such an exercise. Nor is there an implicit judgement about whether parties should be required to adapt their internal procedures for the convenience of political scientists and policy makers.

(D) Alternative measures of inflation

Statistics of trends in spending by political parties and parliamentary candidates clearly need to take account of inflation. Failure to do this creates a false impression of growing expenditure.¹⁰

It is open to debate which measure of inflation needs to be used. This technical question turns out to be crucial to the interpretation of long-term trends, as work by a number of scholars including Karl-Heinz Nassmacher and the author of this study have argued. Since a high proportion of party spending is devoted to the costs of staff, there is a case for using average earnings as the measure of inflation. Earnings have regularly risen faster than consumer prices. Thus, neither the RPI (Retail Prices Index) nor the newer CPI (Consumer Prices Index) reflects the cost pressures on political parties. The trend statistics in *Paying for the party* used both the RPI and the AEI (Average Earnings Index¹¹) as measures of inflation. This report uses the same measures.¹²

¹⁰ In its Campaign Spending Report on the 2015 general election, the Electoral Commission comments on “trends in reported campaign spending” without adjusting the statistics to take account of inflation. See See Electoral Commission (2016a). UK Parliamentary General Election 2015 Campaign spending report. London: Electoral Commission, February, 18. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf.

¹¹ Subsequently the earnings index became the index of Average Weekly Earnings (AWE).

¹² See Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange <http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%2008.pdf>, Appendix 3, Michael Pinto-Duschinsky (2013). “Facts, Sceptical Reflections and Policy Ideas”, <http://www.oecd.org/gov/ethics/Facts-Sceptical-Thoughts-Policy-Ideas.pdf>, 13, and Karl-Heinz Nassmacher (2009). *The Funding of Party Competition: Political Finance in 25 Democracies*. Baden-Baden: Nomos, 158 ff. The US scholar Stephen Ansolabehere and colleagues then at the Massachusetts Institute of Technology used Gross Domestic Product as the preferred deflator in a study published in 2003 of long term trends in campaign spending in the USA. This measure has the advantage of taking some account of changes in the voting age population as well as

(2) CENTRAL AND LOCAL SPENDING IN THE 2015 GENERAL ELECTION CAMPAIGN

Table 1 shows the total spent by each political party on the General Election of 2015. The figures constitute the returns of political parties to the Electoral Commission.

Although the statistics of party election expenditure theoretically cover local as well as national election spending in the 365 days prior to the poll, they are in reality the expenditure of the central party organisations (and their regional offices). Local campaign spending is covered by the returns of individual candidates even though the contributions to these expenses come overwhelmingly from local party organisations.¹³

Under the terms of the Political Parties, Elections and Referendums Act 2000 (PPERA), parties are required to declare the notional value of services received. These notional expenditures are included in the totals in Table 1. Spending also is recorded net of these notional items in the same table. This is to allow comparison of campaign spending in 2015 with spending in a long series of general elections held before the enactment of the PERA. For those general elections, parties were not required to declare their general election spending. The statistics drawn up from published and unpublished party sources in Table 2 for general elections up to 1997 do not include the value of services provided free or at below market rates.

The figures in Table 1 show that none of the parties spent near the legal limit of £18.96 million.¹⁴

changes in earnings. The fact that the National Bureau of Economic Research sponsored the study lends weight to their methodology. See Stephen Ansolabehere, John de Figueiredo, and James M. Snyder (2003). "Why Is There So Little Money in U.S. Politics?" *Journal of Economic Perspectives* 17, 1, <http://www.nber.org/papers/w9409>.

¹³ The precise definition of what constitutes an election expense by a parliamentary candidate has caused problems over many years and has been the subject of serious litigation. An important example was the case of the Labour Party MP Fiona Jones whose premature and tragic death in 2007 was partly attributed to the effects of the ultimately unsuccessful prosecution against her for exceeding the expense limit in her election campaign in the Newark constituency in 1997. See BBC News (2007). "Ex-Labour MP died 'from drinking'", 5 February. <http://news.bbc.co.uk/1/hi/england/nottinghamshire/6333267.stm>.

¹⁴ See Electoral Commission (2016). UK Parliamentary General Election 2015 Campaign spending report. London: Electoral Commission, February, 25. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf.

Table 1
CENTRAL PARTY SPENDING IN THE GENERAL ELECTION OF 2015¹⁵
(at current prices in pounds)¹⁶

	Total reported spending	Notional spending included in total	Spending net of notional spending
Conservative	15,587,957	420,065	15,167,892
Labour	12,099,263	177,337	11,921,926
Liberal Democrat	3,529,106	109,238	3,419,868
SNP	1,475,478	-	1,475,478
UKIP	2,851,465	839,739	2,011,726

In its publication *UK Parliamentary General Election 2015 Campaign spending report*, the Electoral Commission provided a detailed breakdown of categories of campaign spending. When all political parties are taken into account, 40.4 % went on unsolicited materials to electors, 20.5 % on market research, and 18.4 % on advertising.¹⁷

Table 2 estimates the average spending of candidates in the General Election of 2015 standing for the five political parties covered by this report.

¹⁵ The source for column 1 is Electoral Commission (2016). *UK Parliamentary General Election 2015 Campaign spending report*. London: Electoral Commission, February, Chart 3.
http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf. For column 2, it is possible to derive statistics of notional spending from information published by the Electoral Commission, though it is by no means simple. The author is grateful for guidance provided by the Commission to obtain the relevant figures for each of the six parties which each spent in excess of £250,000 in the election. The instructions as of May 17 2016 were as follows: “This information is available through the PEF Online website. You will need to search for the election spending reported by the party, then export your search results to CSV file spreadsheet and then filter the results for items beginning with the code “NE” which is the code for notional expenditure. To do that, you can follow these steps:

- Go to <http://www.electoralcommission.org.uk/> homepage
- Choose “find registered political parties and donations” link to access PEF Online (bottom right pink box on the homepage)
- Choose the quick link ‘party spending in the 2015 UK PGE’ (middle pink box on the PEF Online homepage)
- Enter the name of a party in the “search for” box and press ‘search’
- Scroll to the bottom of the screen past all the search results and click “export results (CSV)” at the bottom of the pag
- Open the CSV file in excel
- Turn on the ‘filters’ in excel
- Change the filter on column A “EC Ref” by using the ‘text filters’ option and then choose ‘begins with’ and enter “NE”
- The only results displaying will be items with the EC Ref “NE” which is the code for notional expenditure.
- You can determine the total amount of notional expenditure reported by that party from the number of records displayed.”

Since such guidance is not readily available to members of the public, the user-friendliness of the Electoral Commission’s website is itself a matter of legitimate concern. This is argued in a 2015 analysis of donations to parties by the *Financial Times*. See *Financial Times* (2015). “Political party funding in Britain: Donations to registered parties between May 2010 and Dec 2014.” <http://ig.ft.com/sites/2015/UK-Party-funding/>

¹⁶ The Green Party was the only other party to spend over £250,000. Its total central party spending amounted to £1,131,018. This included notional spending of £48,226. The party’s spending net of notional items was £1,082,792.

¹⁷ Electoral Commission (2016). *UK Parliamentary General Election 2015 Campaign spending report*. London: Electoral Commission, February, 27-28.
http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf

Changes in legislation introduced before the 2010 election regulating campaign spending by parliamentary candidates meant that they now are obliged to observe limits on expenditure both during the immediate period before the poll (between the dissolution of Parliament and the election) and also during an additional period starting 55 months after the previous general election and ending with the dissolution of Parliament.¹⁸ These two periods have become known as the "short" and "long" campaigns. Parliamentary candidates are required to provide expense returns both for the short and the long campaigns to show that they have not exceeded the permitted limits.

For the 2015 election, the allowable limits were increased as follows:

For the "long" campaign each candidate could spend up to £30,700 plus 6 pence per registered elector in borough constituencies and 9 pence in county constituencies.

For the "short" campaign each candidate could spend up to £8,700 plus 6 pence per registered elector in borough constituencies and 9 pence in county constituencies.

In practice, a considerable number of candidates failed to file the required expense reports. Acting Returning Officers also were negligent in forwarding the relevant information to the Electoral Commission. Consequently, at the time of writing, the Electoral Commission lacks information on spending by 13.5 % of the candidates. This precludes a precise assessment either of average or of total spending by candidates.¹⁹ Since the gaps in information are especially wide for spending during the "long" campaign, the statistics in Table 2 cover the "short" campaign alone.

Table 2
ESTIMATED AVERAGE SPENDING BY PARLIAMENTARY CANDIDATES IN THE "SHORT
CAMPAIGN" IN THE GENERAL ELECTION OF 2015²⁰

¹⁸ For precise legal definitions of the relevant time periods, see Electoral Commission (2015). "UK Parliamentary general election 2015: Guidance for candidates and agents: Part 3 of 6 – Spending and donations, 5 - 6. http://www.electoralcommission.org.uk/data/assets/pdf_file/0004/173074/UKPGE-Part-3-Spending-and-donations.pdf. Under the previous legal regime, many of the costs later listed as campaign costs during the "long" campaign would have counted as routine expenditures of local party organisations.

¹⁹ There has been a striking decline in the completeness of spending data collected by the Electoral Commission. After the 2010 general election, spending returns for the "short" campaign were uncollected for 51 Conservative, Labour and Liberal Democrat candidates. The total number of missing returns for candidates of the same three parties after the 2015 stood as of 3 June 2016 at 307 – six times greater.

²⁰ At the time this table was being prepared, the gaps in information collected from Acting Returning Officers by the Electoral Commission were of two kinds: (1) gaps for all candidates standing in 63 constituencies resulting from the failure by the Acting Returning Officers to respond to requests for the information by the Electoral Commission; (2) gaps in information about spending by some but not all candidates in a constituency. For the first type of gaps, it is reasonable to assume that spending by candidates from each party was similar to spending in constituencies for which information was forwarded. For the second type of gaps, it is

(at current prices in pounds)

Conservative	7,179
Labour	6,131
Liberal Democrat	2,646
SNP	7,367
UKIP	2,104

Including spending both on the "short" and "long" campaigns, Conservative candidates spent a recorded total of £ 8.37 million, Labour candidates £ 6.57 million, Liberal Democrat candidates £ 2.86 million, SNP candidates £ 0.58 million and UKIP candidates £ 2.14 million. These totals include only the costs of candidates for whom returns were submitted and then passed to the Electoral Commission. If and when more complete returns become available, the totals spent by candidates could be between 10 % and 20% higher.²¹

As far as categories of spending by candidates are concerned, 66.5% of reported spending went on unsolicited material to electors.²²

While average spending by candidates fell way below the legal limits,²³ the parties poured money into marginal seats as was to be expected. It is only in some of these particular contests that significant

reasonable to assume that the candidates failing to submit returns were those who had conducted small, inefficient campaigns as token candidates. For the Conservatives, Labour and SNP, the gaps fell predominantly in the first category. For the Liberal Democrats and UKIP, a majority of the gaps were in the second category. Therefore, the statistics have been drawn up on the following basis: for the Conservatives, Labour and SNP, average spending by candidates for whom information was submitted has been used. For the Liberal Democrats and UKIP, it has been assumed that average spending by candidates for whom no information was submitted was one half of average spending by candidates of the party for whom statistics were submitted.

²¹ At the time of writing, the Electoral Commission's published records list no fewer than 47.3 % of candidates as having spent nothing during the "long" campaign. It is unclear what proportion of these figures represent actual nil spending and what proportion represents failure to submit the required accounts to Acting Returning Officers and what proportion represents failure by Acting Returning Officers to forward the accounts to the Electoral Commission. The Electoral Commission declined the request to seek the missing information from Acting Returning Officers. There has been a marked decline in the proportion of candidates submitting legally required expense returns over the past three general elections and a decline in the completeness of statistics passed to the Electoral Commission by Acting Returning Officers. For this reason, the statistics of total spending by candidates for each political party presented by the Electoral Commission in Chart 3 of its report on spending in the 2015 general election are misleading. See Electoral Commission (2016a). UK Parliamentary General Election 2015 Campaign spending report. London: Electoral Commission, February. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf

²² Electoral Commission (2016). UK Parliamentary General Election 2015 Campaign spending report. London: Electoral Commission, February, 32. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf

²³ Conservative candidates spent 35.8% of the maximum permitted. The figures for other parties, as cited by the Electoral Commission in February 2016 were Labour 29.2%, Liberal Democrat 29.2%, SNP 25%. The figures are based on incomplete returns and therefore are subject to (probably small) amendment. See Electoral Commission (2016a). UK Parliamentary General Election 2015 Campaign spending report. London: Electoral Commission, February, 32. http://www.electoralcommission.org.uk/_data/assets/pdf_file/0006/197907/UKPGE-Spending-Report-2015.pdf

questions arise about adherence to the legal limits. There are questions of three kinds: (1) at the level of law, does current legislation define with sufficient clarity the distinction between spending by candidates and by their national parties? Given that national parties have not been spending up to their legal limit, there has been an incentive to use (national) party money for campaigning in targeted seats. (2) Have the relevant authorities provided sufficient advice about the current laws to campaigners and parties? (3) Have the relevant authorities devoted sufficient efforts to investigating the accuracy of reported election expenses?

A problem which may be at the root of some of these questions is that party and candidate limits are regulated by different laws and responsibility for enforcing those laws rests with different authorities. Spending by candidates falls under the RPA and is the responsibility of local returning officers under the theoretical direction of central government (traditionally the Home Office and currently the Cabinet Office). The limits on central party campaign spending were imposed in 2000 by PPERA and are the responsibility of the Electoral Commission. Dissatisfaction with the performance of the Electoral Commission, has led to reluctance to transfer authority for oversight of matters falling under the RPA to the Electoral Commission.²⁴

(3) CENTRAL PARTY SPENDING IN ELECTIONS FOR THE DEVOLVED ASSEMBLIES AND THE EUROPEAN PARLIAMENT 2011- 2014

Political reforms have brought an increasing number of elections for the European Parliament, the devolved assemblies, directly elected mayors and for police commissioners. In addition there are the long-standing elections for local councils. As yet, it is not possible to aggregate the spending on all of these by parties and candidates. However, it is possible to obtain from the Electoral Commission's website statistics on spending by parties in the following elections held in the parliamentary cycle 2010-2015: elections held on 5 May 2011 for the three devolved assemblies (Scottish Parliament, Northern Ireland Assembly and National Assembly for Wales) and on for the European Parliament held on 22 May 2014. Since the election

²⁴ For a detailed review of the performance of the Electoral Commission together with recommendations about a transfer of enforcement responsibility from the Commission to a separate body, see Michael Pinto-Duschinsky (2014). *Electoral Omission*. London: Policy Exchange. <http://www.policyexchange.org.uk/images/publications/electoral%20omission.pdf>.

for the Northern Ireland Assembly barely involved the five political parties included in this report, it has been excluded from Table 3. The statistics in the table include notional expenditures.

Table 3
CENTRAL PARTY SPENDING IN ELECTIONS FOR THE DEVOLVED ASSEMBLIES AND THE
EUROPEAN PARLIAMENT 2011- 2014²⁵

(at current prices in pounds)

	Conservative	Labour	Liberal Democrat	SNP	UKIP
National Assembly for Wales election, 2011	283,268	156,182	114,178	-	55,116
Scottish Parliament, election 2011	274,573	819,646	176,391	1,141,662	30,320
European Parliament Elections, 2014	3,022,752	1,051,899	1,580,575	267,370	3,028,374

(4) ANNUAL CENTRAL PARTY EXPENDITURE 2010 - 2015

The annual accounts of the five largest parties include costs legally declarable as campaign expenditures as well as the routine costs of maintaining their party organisations.

Labour and the Conservatives have varied in the past in the way they have treated the finances of regional offices and of their headquarters in Scotland in the national party accounts. In general, the Conservatives have consolidated the accounts of all of the organisations under the control of the Central Office (renamed Central Conservative Campaign Headquarters) in a single set of accounts. The accounts of the National Executive Committee of the Labour Party traditionally excluded certain funds raised and spent by its regional offices. In recent years, the accounts of the Conservative Central Campaign Headquarters and of the National Executive Committee of the Labour Party include regional organisations in Great Britain, including the Scottish headquarters.

Despite these reservations as well as those listed earlier, the analysis of central Conservative and Labour expenditures in this report takes as its basis each party's published annual accounts and accepts them as inclusive of all the activities of their central and regional organisations. The analysis concentrates on

²⁵ The Greens spent £58,956 on the Welsh election of 2011, £209,158 on the Scottish election of 2011 and £725,725 on the European Parliament election of 2014.

expenditures since it was the reported escalation of spending that led to a political debate about an "arms race" and the resulting need - in the view of some - for a cap on permitted spending by parties throughout each complete parliamentary cycle, covering both national and local, routine and campaign costs. The empirical basis for the "arms race" was disputed in the author's 2008 publication *Paying for the party*. There, the statistics for the 2001-2005 parliamentary cycle were covered. The statistics in the author's 2011 study for the Committee on Standards in Public Life covered the years of the 2005-2010 parliamentary cycle. The time series is updated here for the 2000-2015 cycle.

The gross expenditure totals given in each central party's annual accounts needed to be adjusted in a number of ways to make them comparable with each other and with figures for past years. First, for purposes of consistency and realism, several items need to be expressed in net rather than gross terms. For example, where costs of fund raising are listed in the published accounts under expenditure and proceeds of fund raising are listed under income, the amount spent on fund raising has been subtracted so that the amount raised is expressed net of costs.

Second, the rules introduced under PPERA now require parties to include the notional value of services donated to them or provided at below market values. For the sake of consistency with the period before PPERA, these notional amounts need to be disregarded when a long-term comparison is being made.

Third, there is the issue of state grants. The main parties have treated them in different ways in their accounts. As mentioned, the Liberal Democrats exclude the "Short Money" from the accounts of their Federal Party because the money is earmarked for parliamentary purposes only. For the sake of clarity, this report shows total annual expenditure in two alternative forms: including and excluding expenditure financed by state grants. Since the "Short Money" is paid only when a party is in opposition, central party finances are significantly affected by the results of a general election.

Summary statistics for central spending during the 2010-2015 parliamentary cycle by the five UK parties covered by this study are shown in Table 4. The figures are shown net of costs of fund raising and expenses

of commercial items. They have been drawn up in order to be comparable with those in the author’s studies of the 2005-2010 and 2010-2015 parliamentary cycles.

Table 4
NET CENTRAL PARTY EXPENDITURE 2010 – 2015, INCLUDING NOTIONAL SPENDING AND SPENDING FUNDED BY PUBLIC SUBVENTIONS

(at current prices in thousands of pounds)²⁶

	2010	2011	2012	2013	2014	2015
Conservative	45,675	18,722	18,971	19,509	33,174	TBA
Labour	31,663	28,055	28,050	25,927	32,637	TBA
Liberal Democrat ²⁷	11,499	6,925	6,675	6,924	9,724	TBA
SNP	1,942	3,162	2,610	2,456	6,897	TBA
UKIP	1,305	877	891	2,277	6,512	TBA

During the 2010-2015 cycle, the two governing parties – the Conservatives and the Liberal Democrats – were not entitled to public funding for opposition parties in the House of Commons (“Short Money”) and in the House of Lords (“Cranborne Money”). Labour was the main beneficiary of this funding. In order to provide an indication of the fundraising capacities of the five parties, Table 5 shows their annual central budgets when expenditure funded by state subventions and notional expenditure are excluded.

Table 5
NET CENTRAL PARTY EXPENDITURE 2010 – 2015, EXCLUDING NOTIONAL SPENDING AND SPENDING FUNDED BY PUBLIC SUBVENTIONS

(at current prices in thousands of pounds)

	2010	2011	2012	2013	2014	2015
Conservative	41,474	17,675	17,870	18,321	32,147	TBA
Labour	29,191	19,771	20,614	18,553	24,725	TBA
Liberal Democrat	10,007	5,711	5,115	5,391	7,788	TBA
SNP	1,737	3,002	2,438	2,298	6,742	TBA
UKIP	1,258	799	862	2,155	4,512	TBA

[PARAGRAPH TO BE ADDED HERE ONCE THE STATISTICS FOR 2015 HAVE BEEN PUBLISHED. OVERALL CENTRAL PARTY SPENDING IN THE 2010-2015 CYCLE WILL BE CALCULATED BY INCLUDING ONE HALF OF THE TOTALS FOR 2010 AND FOR 2015.]

²⁶ Statistics are net of commercial costs. Spending on election campaigns, notional costs and spending financed by state grants are all included.

²⁷ See Appendix 1

(5) ANNUAL SPENDING BY LOCAL CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT PARTY ORGANISATIONS: A STUDY OF THE NON-ELECTION YEAR 2013

The Electoral Commission collects and publishes information on the budgets of local and regional party organisations only for “accounting units” above the reporting threshold of £25,000 per annum. The reporting requirement is triggered when either the income or the expenditure of an accounting unit reaches this level. As shown in Table 6, very few SNP and UKIP accounting units have reached this threshold in recent years. These parties did not respond to requests for information about below-threshold accounting units. Therefore, their local and regional expenditures are not included in this study. It should be noted that the reporting threshold has remained unchanged and has not been adjusted in line with inflation. If local party activity rose in line with inflation, the number of accounting units reporting to the Electoral Commission would need to rise. In fact, the number of accounting units reporting in the equivalent non-election years 2008 and 2013 fell for the Conservative, Labour and Liberal Parties. The fall was most marked for the Conservatives.

Table 6
NUMBER OF ACCOUNTING UNITS SUBMITTING ANNUAL FINANCIAL REPORTS TO THE
ELECTORAL COMMISSION, 2008-2014²⁸

	Conservative	Labour	Liberal Democrat	SNP	UKIP
2008	339	43	87	2	5
2009	378	57	106	1	8
2010	395	102	119	1	6
2011	310	45	74	1	-
2012	286	42	63	1	3
2013	298	39	71	1	6
2014	329	69	95	3	13

An attempt to calculate average spending of constituency party organisations requires a collection of information additional to that collected by the Electoral Commission. Since it is not possible to derive estimates of average spending per constituency party organisation solely from the reports of “accounting units” with budgets above £25,000 per annum published by the Electoral Commission, a practical way to derive some approximations is to attempt to measure changes since 2003. In a previous study, the author

²⁸ Accounting units are required to submit financial reports if their income or expenditure reaches £25,000. Excludes specialist and non-geographical accounting units, national (Scottish and Welsh) units of central party organisations. The table covers Great Britain only, excluding 18 constituencies in Northern Ireland.

conducted an exceptionally thorough investigation into local party finances in that year, including specially collected information on local Conservative and Labour “accounting units” with budgets below the reporting threshold.²⁹ Estimates for average constituency spending in the non-election year of 2008 produced for the author’s 2011 study for CSPL therefore were based on comparisons between gross spending in 2003 and 2008 for constituency organisations for which there was information for both years.³⁰ The current study uses the same method for estimating the average spending per constituency of local Conservative and Labour organisations. It compares compares gross expenditures in 2008 and 2013 of a number of “accounting units” above the reporting threshold for which there is published information for both years.

The absence of any complete collection of local party accounts is not the only problem. Since constituency accounts use a variety of accounting conventions which frequently are unclear, it would require an impractical amount of effort to attempt to adjust the accounts to a common format. For this reason, the figures given in Table 7 show estimated average gross expenditures per constituency in Great Britain. They thus overestimate net local party spending. Local “accounting units” usually but not always correspond to parliamentary constituencies. The method used to adjust for

²⁹ For the years 2003 and 2006, the Electoral Commission conducted special investigations into the budgets of accounting units which had not submitted financial returns. The regulatory objective was to determine whether some local organisations were failing to submit returns even though their budgets were above the reporting threshold of £25,000. The incidental benefit of the inquiry was to throw considerable light on the budgets of below-threshold accounting units of the Conservative and Labour Parties. Few Liberal Democrat accounting units responded. The results of the Electoral Commission's inquiries are thus most useful for the Conservatives and Labour.

The author of this study used the findings of the inquiry, supplemented by information supplied by the political party organisations, to make an unusually detailed analysis of the finances of Conservative and Labour constituency organisations in 2003 (the only year in the 2001 - 2005 electoral cycle for which detailed information was available on the budgets of accounting units whose finances were below the formal reporting threshold). The average expenditure of a Conservative constituency association in 2003 was estimated as £28,300 compared with an average for constituency Labour parties of £8,300. (See [Michael Pinto-Duschinsky \(2008\). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange.](#)

<http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%2008.pdf>, 43, table 10.) The study concluded that average constituency spending was £28,326 and average Labour spending was £8,288.

For the Liberal Democrats, different sources were used. The Liberal Democrat headquarters kindly made available on a strictly confidential basis the results of a thorough internal review of its local membership and funding for the years 2004, 2005 and 2006. Access to the data was conditional upon an agreement not to identify data on particular constituencies. The data constituted by far the fullest the author has seen on the local funding of the Liberal Democrats, though there were significant gaps. Using this source, the average expenditure of the Liberal Democrats per constituency was £7,030 in 2006.

³⁰ According to a comparison between 19 budgets of the same Conservative constituency associations in 2003 and 2008, and between budgets for 33 of the same Labour accounting units in 2003 and 2008, The average expenditure of a Conservative constituency association in 2008 was estimated as £33,560 compared with an average for constituency Labour parties of £9,450. Comparing 35 the expenditures of the same 35 Liberal Democrat accounting units in 2006 and 2008, the average expenditure of the Liberal Democrats per constituency £9,410 in 2008. These figures assume that the accounting units which failed to provide figures for the internal Liberal Democrat study of 2006 had budgets at the same level as those which agreed to provide their budgets. If it is assumed instead that the non-responding accounting units tended to be those with relatively poor organisations, it probably is realistic to deduct some 10 per cent from the totals. Thus, average Liberal Democrat constituency spending in 2008 may be reckoned at about £8,500. (It should be noted that the problem of taking into account the issue Conservative and Labour Party accounting units which failed to respond to the Electoral Commission's survey of below-threshold accounting units in 2003 was resolved in another manner during the preparation of statistics for *Paying for the Party*. There, it was assumed that non-responding constituency parties had budgets similar to those in responding constituencies with a similar political complexion.)

this are given in the footnotes.

In practice, local party organisations bear the brunt of the campaigning costs of their candidates for public office. While local elections are held each year (though not in all parts of the country), major elections are less frequent. Therefore, Table 7 shows average gross constituency spending in a year in which there were no major elections and when spending predominantly was devoted to the routine running of local party organisations.

Table 7
ESTIMATED AVERAGE GROSS SPENDING OF CONSTITUENCY PARTY ORGANISATIONS IN A
NON-ELECTION YEAR (2013)³¹

(at current prices in pounds)

	Average Spending
Conservative	26,700
Labour	11,600
Liberal Democrat	7,310-7,420 ³²

(6) OVERALL CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT SPENDING IN THE 2010-2015 PARLIAMENTARY CYCLE

[THIS SECTION WILL NEED TO BE REVISED – PROBABLY ONLY SLIGHTLY WHEN CENTRAL PARTY ACCOUNTS FOR 2015 HAVE BEEN PUBLISHED.]

Building on the numbers given above, this section attempts to estimate overall (central and local, routine and campaign) spending in the recent parliamentary cycle. In the absence of information about routine local SNP and UKIP spending, it is possible to give estimates only for the Conservative, Labour and Liberal Democrat Parties. Moreover, for the reasons already given, the statistics of overall spending deserve considerable caution. Two particular features need further investigation: the translation of constituency spending from gross to net totals and the extent of transfers between central and local party organisations.

³¹ For the Conservative and Labour Parties, the same accounting units were compared between 2008 and 2013. The comparisons were based on the gross expenditures of 40 Conservative constituency associations, and 25 Labour accounting units.

³² The Liberal Democrat headquarters kindly provided a list of budgets for 2014 for 365 local and regional accounting units on the basis that only totals could be published. The list did not provide figures for 72 accounting units whose budgets were among those not reported to the Electoral Commission since they were below the reporting threshold. Average spending for below threshold accounting units was £3,916. Assuming the non-reporting below threshold accounting units had the same average expenditure and taking the expenditures of above threshold accounting units into consideration, overall average spending for the Liberal Democrats in 2014 amounted to £13,600 per constituency. Since it may be assumed that the budgets of non-reporting accounting units were lower than those of units which submitted accounts, average expenditure in 2014 may have been £13,400. Liberal Democrat headquarters, however, had not retained similar statistics for 2013, a year when local party spending was lower than in 2014. Therefore, the budgets of 35 accounting units whose budgets were above the reporting threshold were compared for 2013 and 2014. In 2013, expenditure by these accounting units amounted to 54.5 % of the same units' spending in 2014.

Central party spending (routine and campaign)

Since accounts for 2015 are still unavailable, statistics for central party spending are for 2010-2014.

General election costs in 2010 and 2015 were broadly similar. Thus, the adjustments when statistics for 2015 replace for those of 2010 probably will be relatively minor.

Total net annual central spending in 2010-2014 (including notional spending and spending funded by public subventions) amounted to:

- Conservative £136.1 million
- Labour £146.3 million
- Liberal Democrat £ 41.7 million
- SNP £ 17.1 million
- UKIP £ 11.9 million

Total net annual central spending in 2010-2014 (excluding notional spending and spending funded by public subventions) amounted to:

- Conservative £ 127.5 million
- Labour £ 112.9 million
- Liberal Democrat £ 34.0 million
- SNP £ 16.2 million
- UKIP £ 9.6 million

Local party spending (routine)

On the basis that estimated local party expenditures in 2013 represented spending in a year without elections apart from those for local government councillors, that year was probably typical of routine local spending in the 2010-2015 cycle. Using the figures in Table 7, gross local spending (apart from local spending on major election campaigns) amounted in the five years 2010-2014 to the following approximate totals:

- Conservative £ 82.4 million - gross
- Labour £ 36.7 million - gross
- Liberal Democrat £ 23.3 million - gross

Net spending was probably some 80 % of these amounts.

Local party spending (campaign)

As stated earlier, including spending both on the "short" and "long" campaigns in the 2015 general election, candidates spent these recorded totals:

- Conservative £ 8.37 million
- Labour £ 6.57 million
- Liberal Democrat £ 2.86 million
- SNP £ 0.58 million
- UKIP £ 2.14 million

These totals include only the costs of candidates for whom returns were submitted and then passed to the Electoral Commission. If and when more complete returns become available, the totals spent by candidates could be between 10 % and 20% higher.

SNP candidates had the highest average spending. (See Table 2.)

Overall party spending (central and local, routine and campaign)

Assuming (a) that net local party spending was 80% of gross spending, (b) that spending by parliamentary candidates was 10 % higher than listed by the Electoral Commission and (c) that 10 % of central party spending and of routine local party spending was devoted to payments from central to local organisations and from local to central organisations, overall total spending in the 2010-2015 cycle³³ amounts to:

[THIS SECTION WILL NEED TO BE REVISED – PROBABLY ONLY SLIGHTLY WHEN CENTRAL PARTY ACCOUNTS FOR 2015 HAVE BEEN PUBLISHED.]

- Conservative £191.0 million
- Labour £165.3 million
- Liberal Democrat £ 57.5 million

(7) SHORT TERM AND LONG TERM TRENDS

Central party general election spending

³³ Based on statistics for net central party spending including notional spending and spending funded by public subventions.

Table 8 compares central party campaign spending in 2015 by the three main established parties with previous general elections. To ensure comparability of the figures for 2001, 2005, 2010 and 2015 with elections held before the enactment of the PPERA in 2000, notional spending in the four most recent elections has been excluded from the totals.

When inflation is calculated according to the RPI, central election spending by Labour rose from that in 2010 but was still considerably lower than the party's spending in the 2005 election. Conservative spending fell slightly and Liberal Democrat spending fell sharply. The combined spending of the three parties was also exactly the same as in 2010 when adjusted for inflation (marginally lower using RPI as the deflator and marginally higher when using AWE).

Table 8
CENTRAL PARTY SPENDING IN SOME GENERAL ELECTIONS SINCE 1910³⁴

(in millions of pounds, at current prices and at March 2016 values measured by the Retail Prices Index and Average Earnings Index/Average Weekly Earnings)³⁵

	Conservative			Labour			Liberal/ Liberal Democrat 36		
	Current prices	2016 values RPI	2016 values AEI/ AWE	Current prices	2016 values RPI	2016 values AEI/ AWE	Current prices	2016 values RPI	2016 values AEI/ AWE
1910 (Dec)	0.1	14.7	62.8	0.0035	0.3	1.6	0.2	19.6	84.5
1983	3.7	11.3	15.8	2.1	6.3	8.8	1.9	6.0	8.3
1987	9.0	23.1	29.1	4.7	12.1	15.2	1.8	4.7	5.8
1992	11.2	21.1	24.5	10.2	19.2	18.1	1.8	3.4	4.0
1997	28.3	47.0	51.0	26.0	43.1	46.9	2.1	3.4	3.9
2001	12.0	18.2	18.2	10.8	16.4	16.4	1.3	2.0	2.0
2005	17.7	24.4	23.2	16.9	23.2	22.1	4.2	5.9	5.5

³⁴ For 2001, 2005 and 2010, statistics exclude notional expenditures declared according to the stipulation of the PPERA 2000.

³⁵ Sources: for years to 2005, Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange <http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%202008.pdf>, Table 6; for 2010, Michael Pinto-Duschinsky (2011). *The Finances of the Three Largest Political Parties 2005-2010*. London: Committee on Standards in Public Life, Table 1; for 2015, as for Table 1 above.

³⁶ For 1910, the figures in the Liberal Democrat columns are for the Liberal Party, for 1983 and 1987 they are for the Liberal/Social Democrat Alliance, for 1992 onwards, for the Liberal Democrats.

2010	15.6	18.2	17.2	7.1	8.3	7.9	4.7	5.5	5.3
2015	15.2	15.3	15.4	11.9	12.0	12.1	3.4	3.5	3.5

The steep fall in central party spending of the three main established parties in general elections since 1997 is shown in Table 8 is summarised in Table 9. In large part, this reflects the result of the spending cap enacted by PPERA in 2000. Taking account of inflation as measured by the Retail Prices Index, the combined spending of the three largest parties in the General election of 2010 was one-third as much as in 1997. The decline is even greater when inflation is measured by changes in average earnings.

A further significant point is that none of the parties came near to spending up to the cap in 2015 despite the fact that the cap was not increased in line with inflation. The highest spending party in the general election of 2015 (the Conservative Party) spent 78.5% of the permitted maximum. As the figures given below for annual central party spending demonstrate, Labour outspent the Conservatives during the parliamentary cycle. In large part, this derived from Labour's access as the main opposition party to state aid in the form of "Short Money". Labour's low central campaign spending in the 2010 and 2015 general elections did not merely reflect lack of resources (though the party was under pressure to repay earlier loans). Arguably, it shows that the ban on paid television advertising, the advent of televised election debates, and the strict limits on spending by parliamentary candidates make heavy spending on national press advertising of dubious value. It is more rational to focus, insofar as the legal limit allows, on campaigns in selected marginal constituencies.

Table 9
 COMBINED CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT CENTRAL PARTY
 SPENDING IN GENERAL ELECTIONS SINCE 1997 AS A PERCENTAGE OF EXPENDITURE IN
 1997
 (in real terms at values measured by the Retail Prices Index and Average Earnings Index/Average Weekly
 Earnings Index)

	RPI	AEI/AWE
1997	100	100
2001	37	36
2005	54	48
2010	34	30
2015	33	30

Exceptions to the main pattern of contained general election spending since 2001 are the SNP and UKIP.

Their increased spending in the 2015 general election is a reflection, and possibly also a cause, of their growing political prominence in 2015.

Table 10
CENTRAL SNP AND UKIP SPENDING IN GENERAL ELECTIONS, 2001- 2015
(at current prices in pounds)

	SNP	UKIP
2001	226,203	743,904
2005	193,897	648,397
2010	315,777	732,751
2015	1,475,478	2,859,014

The statistics on long term trends in central party campaign spending are striking. If average earnings are used as the measure of inflation, the spending of the Conservatives, Liberal Democrats and Labour national party organisations in 2010 was less than a quarter of the amount spent by the three parties over a century before in the General election of December 1910. The comparison needs to be treated with caution since the main item of spending of the national parties in the 1910 election was assistance to parliamentary candidates. The demand for such assistance is explained by the statistics given in Table 11, which shows that spending by candidates for the House of Commons in the early twentieth century was huge by modern standards.

Spending by parliamentary candidates

Table 11 shows the average spending of candidates in the General Election of 2015 and in some previous contests of the past century. It covers the three political parties which have had a significant and continuous political presence over this period.

For purposes of comparison with elections prior to 2010, only spending during the short campaign is directly relevant. Nevertheless, the change in legislation under the terms of the Political Parties and Elections Act 2009 makes it harder to interpret the relevance of the trends revealed by the statistics. An additional problem of interpretation arises from the fact that the Political Parties, Elections and Referendums Act 2000 (PPERA) had previously altered the definition of "campaign" spending by parliamentary candidates.

Table 11
AVERAGE SPENDING BY PARLIAMENTARY CANDIDATES IN SOME GENERAL ELECTIONS
SINCE 1910³⁷

(in pounds, at current prices and at March 2016 values measured by the Retail Prices Index and Average Earnings Index/Average Weekly Earnings)

	Conservative			Labour			Liberal/ Liberal Democrat		
	Current prices	2016 values RPI	2016 values AEI/ AWE	Current prices	2016 values RPI	2016 values AEI/ AWE	Current prices	2016 values RPI	2016 values AEI/ AWE
1910 (Jan)	1,109	119,000	515,000	881	94,000	410,000	891	115,000	500,000
1983	3,320	10,206	14,225	2,927	9,000	12,541	2,520	7,749	10,797
1987	4,400	11,277	14,158	3,900	9,996	12,550	3,400	8,714	10,942
1992	5,840	10,124	12,633	5,090	9,598	11,011	3,169	5,976	6,855
1997	6,211	10,300	10,946	6,011	9,968	10,969	3,144	5,213	5,737
2001	6,484	9,771	9,778	5,860	8,830	8,837	3,029	4,565	4,568
2005	7,384	10,049	9,574	6,662	9,064	8,639	3,961	5,390	5,137
2010 ("short" campaign only) ³⁸	7,777	8,582	7,777	5,746	6,341	5,746	4,400	4,856	4,400
2015 (estimated for "short" campaign only)	7,179	7,251	7,296	6,131	6,193	6,231	2,638	2,665	2,681

Taking account of inflation, average spending by candidates for all three of the established parties fell between the 2010 and 2015 general elections. Over the long term, Table 11 shows the spectacular fall in spending in parliamentary contests over the past century.

Routine constituency party spending

Though information on trends in local party spending is patchy, Table 12 presents evidence on the position since 1993:

Table 12
AVERAGE SPENDING BY CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT
CONSTITUENCY ORGANISATIONS IN SELECTED NON-ELECTION YEARS SINCE 1993

³⁷ Sources: For years to 2005, Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange, Table 8; for 2010, Electoral Commission www.electoralcommission.org.uk/_data/assets/pdf_file/0011/109388/2010-UKPGE-Campaign-expenditure-report.pdf. The statistics for 2010 incorporate corrections to those previously listed in Michael Pinto-Duschinsky (2011). *The Finances of the Three Largest Political Parties 2005-2010*. London: Committee on Standards in Public Life. Table 4. The figures for 2010 given in the above table also take account of the fact that there were no returns from 8 Conservative, 11 Labour and 32 Liberal Democrat candidates. It is assumed that they spent half as much as candidates from their parties who submitted returns.

(in pounds, at current prices and at March 2016 values measured by the Retail Prices Index and Average Earnings Index/Average Weekly Earnings)

	Conservative			Labour			Liberal Democrat		
	Current prices	March 2016 values (RPI)	March 2016 values (AEI/AWE)	Current prices	March 2016 values (RPI)	March 2016 values (AEI/AWE)	Current prices	March 2016 values (RPI)	March 2016 values (AEI/AWE)
1993	28,189	52,200	59,090	5703	10,561	11,955			
2003	28,326	40,349	39,896	8,288	11,806	11,673			
2006							6,630-7,030	8,322-9,247	8,125-8,615
2008	33,560	40,418	38,223	9,450	11,381	10,763	8,500-9410	10,237-11,333	9,681-10,718
2013	26,700	27,919	28,165	11,600	12,130	12,236	7,310-7,420	7,644-7,759	7,711-7827

There has been a significant short term change in routine spending by local party organisations. Between 2008 and 2013 – the equivalent non-election years in the 2005-2010 and 2010-2015 cycles – the average expenditure of Labour constituency parties grew by 7 % and the average expenditure of Conservative constituency associations fell by 31 %. These figures take account of inflation as measured by the RPI. Using average wages as the deflator, the Labour increase was 14% and the Conservative decrease was 26 %. Even after these changes, local Conservative parties still far outspend their Labour counterparts. But the gap was considerably narrowed.

The change has been even greater over a longer period. In 1993, spending by Conservative constituency associations was nearly five times as great as that of Labour's (494%). In 2008, the Conservative margin was down to 230%. During this 20 year period, local Conservative spending fell by 46 % taking account of inflation as measured by the RPI and Labour spending grew by 15 %. Adjusted for changes in average wages, Conservative spending fell by 52 % and Labour spending grew by 2 %.

When routine local Conservative and Labour spending is combined, the fall (RPI adjusted) was 27 % between 2008 and 2013 and 36% between 1993 and 2013. The falls AEI/AWE adjusted were 18 % between 2008 and 2013 and 43% between 1993 and 2013.

Annual central party spending

The story of trends concerning the three elements of spending considered so far has been the same: a story of declining spending by central party machines on general elections, by parliamentary candidates, and by local party organisations. When it comes to trends in spending by national party headquarters, the situation has been rather different. Central party routine spending has remained relatively stable in real terms. This is shown in Table 12.

Moreover, the substantial advantage in central party spending enjoyed by the Conservatives over Labour until the 1970s has disappeared. Admittedly, Labour went seriously into debt when it outspent the Conservatives in the early years of the new Millennium, but it greatly reduced these debts while at the same time matching Conservative spending in the recent parliamentary cycle.

Table 13
CONSERVATIVE, LABOUR AND LIBERAL DEMOCRAT CENTRAL SPENDING IN SELECTED
NON-ELECTION YEARS, 1994-2013

(in pounds, at current prices and at March 2016 values measured by the Retail Prices Index and Average Earnings Index/Average Weekly Earnings)

	Conservative			Labour			Liberal Democrat		
	Current prices	2016 values (RPI)	2016 values (AEI/AWE)	Current prices	2016 values (RPI)	2016 values (AEI/AWE)	Current prices	2016 values (RPI)	2016 values (AEI/AWE)
1994	10.3	18.6	20.7	9.1	16.4	18.4			
2003	9.8	14.1	13.8	20.6	29.6	29.0			
2008	19.1	23.0	21.7	21.0	25.3	23.9	5.7	6.9	6.5
2013	18.3	19.2	19.3	19.4	19.4	19.6	5.4	5.6	5.7

It is worth noting two features of recent party funding patterns. First, a relatively small proportion of spending by the two main political parties is devoted to fighting general elections. This is especially the case when these elections take place only once in five years – a little less frequently than before.

Admittedly, official statistics may be misleading since some spending counted as “non-election” both in central and local accounts may be geared to a coming general election campaign.

Second, the decline in constituency activity and finance in the party most noted for these things – the Conservative Party – apparently has led to a considerable centralisation of Conservative Party funding and

thus of a centralisation of power. A thorough examination of trends in local party funding must, however, take into consideration changes in the system of public financing of the offices of MPs and of other public office-holders.

APPENDIX 1: A NOTE ON CENTRAL LIBERAL DEMOCRAT ACCOUNTS

The task of calculating central Liberal Democrat finances in a manner that permits comparison with those of the Conservatives and Labour requires an examination of several inter-connecting accounts. The main difficulty presented by this task is the lack of clarity in some of the accounts about movements of money between them. However, the two main features of Liberal Democrat finances are clear.

First, the Liberal Democrats maintain a Parliamentary Office which, until the party entered government after the General Election of 2010 received the Liberal Democrats' entitlement to public funds under the scheme introduced in 1975 by Edward Short on behalf of the Labour Government of the time. This "Short Money" became a significant source of funds for the party. Its loss in 2010 when the party entered a government coalition with the Conservatives created problems for its organisation, although the party became entitled to employ a number of special advisers to its ministers.

Second, the Liberal Democrats' main office does not have the same authority over regional offices as those of its Conservative and Labour counterparts. Some items which are included in the national party accounts of the other parties are, in the case of the Liberal Democrats, covered by separate accounts of the English, Scottish and Welsh Liberal Democrats (the "state parties") and by the Association of Liberal Democrat Councillors, based in Hebden Bridge in Yorkshire.

If all these accounts are taken into consideration, the financial disadvantages of the Liberal Democrats, though considerable, are less than when the accounts of its Federal Party are considered in isolation (as they usually are by the Electoral Commission and by inquiries such as that of Sir Hayden Phillips).

Moreover, the common assumption that the source of Liberal Democrat financial disadvantage is the lack of an institutional base of support (such as big business for the Conservatives and the trade unions for Labour) also needs caution. In recent years the Liberal Democrat membership has been about one third as large as Labour's.

As an indication of the size of the various central Liberal Democratic funds, their gross expenditures in

2010 (and, in brackets, 2014) were as follows:

Liberal Democrat Federal Party - £10.0 million (£8.7 million),
English Liberal Democrats - £2.0 million (£1.8 million),
Parliamentary Office of the Liberal Democrats - £1.7 million (£0.4 million),
Scottish Liberal Democrats £0.5 million (£0.8 million),
Association of Liberal Democrat Councillors - £0.4 million (£0.5 million),
Welsh Liberal Democrats - - £0.2 million (£0.1 million),
Liberal Democrats in the House of Lords - £0.1 million (£0.2 million),
Scottish Parliamentary Group – £0.1 million (£0.04 million),

These separate totals overstate the amount of money at the disposal of the Liberal Democrats since considerable monies are transferred between accounts. When these transfers are subtracted in order to avoid double counting, the combined gross expenditures of the different central organs of the party came to £12.6 million in 2010 and £10.9 million in 2010.

HOW IS CONTEMPORARY BRITISH POLITICS FUNDED?

By

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(1) INTRODUCTION

(A) Purpose and scope of this study

This paper is the second part of my commission. Because of the limitation of time available, it is intended to be briefer and less comprehensive than the main study titled “BRITISH PARTY AND PARLIAMENTARY CANDIDATE EXPENDITURES 2010 – 2015”. It raises some of the core concerns about the state of political funding in the UK today.

These topics will be addressed:

- Party income
- Major sources of party income (including analysis of institutional sources and small versus big private sources)
- Indirect forms of state aid to parties.
- Spending by “off-shore islands” of parties – pressure groups, campaigning bodies and think tanks arguably linked to or sympathetic to a party but legally independent.

(B) Political fundraising causes severe problems in the UK but not for the reasons often given.

The following pages will confirm that the main problems of British political finance concern the manner in which money is raised rather than the way it is spent. But it is first necessary to attempt to dispose of two stubborn myths. The typical caricature appeared yet again in a much-quoted report in the *Guardian* shortly after the 2015 general election. Under the headline “Massive surge in donations made 2015 general election most expensive ever”.³⁹ The article repeated the wholly incorrect claim which, as the German scholar of political finance, Karl Heinz Nassmacher has written in an important study, has proved to be an irresistibly tempting story for journalists, academics and politicians in many countries: that there has been a cost explosion in the funding of political parties and elections.⁴⁰ Had the British general election of 2015 really

³⁹ 28 May 2015. <http://www.theguardian.com/politics/2015/may/28/massive-surge-donations-2015-general-election-most-expensive-ever>.

⁴⁰ Karl-Heinz Nassmacher (2009). *The Funding of Party Competition: Political Finance in 25 Democracies*. Baden-Baden: Nomos, Chapter 6 “Cost explosion: fact or fantasy?” See also Stephen Ansolabehere, John de Figueiredo, and James M. Snyder (2003). “Why

been the most expensive ever, the main parties would have been in clear breach of the spending caps for candidates under the terms of the RPA and for political parties under those of the PPERA. In fact, combined Conservative, Labour and Liberal Democrat central party spending in 2015 was barely one-third in inflation adjusted terms that in the 1997 general election. Declared spending by candidates also fell.

More significant than the *Guardian* article itself was the way in which it was then seized upon as vindication of the cost-explosion thesis. Officials of the Stockholm-based think-tank and electoral reform advocacy body, International IDEA, published an article which it then presented at a global conference it co-organised with OECD in support of its line that rocketing political expenditures are a basic reality and a fundamental problem.⁴¹

The same *Guardian* report incorporated another common myth, namely that the financial backing of the wealthy donors based in the financial world of the City of London had given the Conservatives the expected spending advantage over Labour. Such an advantage certainly was a reality in the period between the two world wars and lasted at least into the 1970s. At the level of central party spending, where any Conservative advantage from multi-millionaire support might be most expected, there has been relatively little difference between the two main parties. In the ten most recent years for which statistics are available (2005-2014), total net Conservative and Labour central spending at current prices was virtually identical: £281.2 million for the Conservatives, £281.9 million for Labour. It is still at the constituency level that the Conservatives are better resourced, though their advantage has been rapidly diminishing.

The argument of this paper is that the main problems of political fundraising in the UK do not arise from the need to finance burgeoning expenditures but from declining party membership⁴² and support. This is

Is There So Little Money in U.S. Politics?" *Journal of Economic Perspectives* 17, 1, <http://www.nber.org/papers/w9409>, Michael Pinto-Duschinsky (2013). "Facts, Sceptical Reflections and Policy Ideas", <http://www.oecd.org/gov/ethics/Facts-Sceptical-Thoughts-Policy-Ideas.pdf>, and Jef Smulders and Bart Maddens (2016). "The Spending Levels of Political Parties. An Explanation on the Basis of a Multilevel Analysis." Paper presented to the Research Committee on Political Finance and Political Corruption at the World Congress of the International Political Science Association, Poznan, 28 July, 15. The paper <https://wc2016.ipasa.org/sites/default/files/ipasa-events/istanbul2016/papers/paper-48629-2016-06-22-0901.pdf>. This analysis of concludes: "we clearly see that, despite popular assumptions regarding a cost explosion in politics, the spending levels of the parties [in Austria, Belgium, Denmark, Germany, Portugal and Spain] have not increased over the past decade."

⁴² Richard Keen (2015). "Membership of UK Political Parties." London: House of Commons Library, Briefing Paper, SN05125, 11 August. <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN05125>

why the main parties have become dangerously reliant on mega-donors.⁴³

(C) The problem of defining “political finance”

The term “political finance” conventionally involves the funding of elections and political parties. But money is also used to affect politics in other ways and through other channels such as lobbying or even through projects labeled as educational or charitable. In the past, and apparently in present times as well, the funding of newspapers and other means of mass communications have been and remain vital means of party political influence.

Moreover, the enactment of laws which specifically control the funding of political parties and candidates for electoral office is likely to lead to the development of unregulated ways and means to achieve political influence. It is important, therefore, to examine, at least briefly, some of these alternative, under-researched channels. This paper will discuss the funding of politically-orientated think tanks and the growth of indirect forms of public funding of British politics.

(2) GROSS CENTRAL PARTY INCOME, 2010-2014

In the most recent five years for which central party accounts are available, Labour had a total income of £173.5 million compared with a Conservative total of £153.8 million (13 % more). Since Labour was in opposition, it benefited from “Short Money”. This accounted for the bulk of the £32.1 million it received in public funding during this period. The Conservatives received £5.0 million in state grants during the same period. Apart from this public funding, Conservative gross income from all other sources amounted to £148.8 and Labour’s to £141.4 (5% less). Apart from Labour, which had a considerable surplus of income over expenditure (which it was able to devote to reducing debts incurred around the time of the 2005 general election), the other parties covered by this paper all made either very small cumulative profits or losses during these five years.

⁴³ It is, of course, possible for a political party to obtain money both from mega-donors and in far smaller per-capita amounts from ordinary members. This is what the SNP appears to have succeeded in doing amid the exceptional surge of enthusiasm for the party at the time of the independence referendum of 2014. By 2015, as it reported in its annual report for 2014, its membership had grown to 110,000. This was almost as large as the Conservative Party’s diminished membership throughout the far more populous territory of Great Britain. The party also managed to attract some very large donations, as shown in Table 7.

Table 1
GROSS CENTRAL PARTY INCOME AND EXPENDITURE,
2010 - 2014

(at current prices in thousands of pounds)

CONSERVATIVE	2010	2011	2012	2013	2014	TOTAL
Gross income	43,143	23,660	24,248,	25,352	37,446	153,849
Gross expenditure	49,205	22,825	22,783	23,320	36,638	154,771

LABOUR	2010	2011	2012	2013	2014	TOTAL
Gross income	36,270	31,326	33,024	33,336	39,570	173,526
Gross expenditure	33,840	30,253	30,197	27,856	35,318	157,464

LIB DEM [Federal Party only]	2010	2011	2012	2013	2014	TOTAL
Gross income	9,637	6,205	6,204	7,304	10,344	39,694
Gross expenditure	9,973	6,505	6,434	6,860	8,719	38,491

SNP	2010	2011	2012	2013	2014	TOTAL
Gross income	1,862	5,031	2,300	2,038	7,048	18,279
Gross expenditure	2,168	3,454	2,656	2,777	7,298	18,353

UKIP	2010	2011	2012	2013	2014	TOTAL
Gross income	1,343	1,069	1,228	2,479	6,675	12,794
Gross expenditure	1,361	971	1,009	2,461	6,731	12,533

(3) POLITICAL DONATIONS, 2010-2015

Since donations above the legally required reporting thresholds must be published after only a short delay, statistics of all such donations during the 2010-2015 parliamentary cycle are already available. They need to be treated with caution: they only show relatively large contributions and the reporting categories used by the Electoral Commission are misleading. Company donations are, in practice, almost all from family businesses rather than from corporations. They may thus be seen as individual donations given through family firms for tax reasons. The “public fund” category understates the money that flows for state coffers

for reasons to be explained. For what it is worth, the breakdown of reported donations from the second half of 2010 to the first half of 2015 is shown in Table 2.

Table 2
REPORTABLE POLITICAL DONATIONS BY OFFICIAL CATEGORIES,
2010 - 2015

	In millions of pounds	Percentage of reported total
Individual	118.2	41
Trade Union/ Friendly Society ⁴⁴	60.0	21
Public Fund	44.4	16
Company	44.0	15
Unincorporated Association	12.7	4
Limited Liability Partnership	3.1	1
Trust	1.9	1
TOTAL	285.1	100

(A) Income derived from “large” (i.e. reportable) donations by party

The current legal definition of a reportable donation is a donation (or set of donations in the same year) amounting to more than £1,500 if given to an accounting unit and more than £7,500 if given to a central party. Until 2009, these thresholds were £1,000 and £5,000 respectively. Given this change in reporting rules, statistics about the declared totals donated before and after 2009 are not comparable.

Table 3 shows the income, net of state aid, derived by each of the five main parties during the five most recent years for which central accounts have been published.

Table 3
TOTAL RECEIVED IN REPORTABLE (“LARGE”) DONATIONS BY PARTY, 2010 – 2014

(in millions of pounds and excluding public funds)

Conservative	107.4
Labour	75.1
Liberal Democrat	25.0
SNP	7.6
UKIP	4.8

⁴⁴ Includes £54.9 million by trade unions and £5.1 million from friendly societies

According to the approximate calculations in “BRITISH PARTY AND PARLIAMENTARY CANDIDATE EXPENDITURES 2010 – 2015”, overall (central and local, routine and campaign) expenditure in 2010-2014 amounted to £191.0 million for the Conservatives, £165.3 million for Labour and £57.5 million for the Liberal Democrats. On the further assumption that local party income matched expenditure,⁴⁵ and taking into account the surpluses or deficits of the central party organisations shown in Table 1 above, the respective proportions of income of the three established parties derived from “large” donations was 56.8% for the Conservatives, 41.4% for Labour and 43.3 % for the Liberal Democrats. The so far unexamined implication of these admittedly rough findings is that the (albeit diminishing) Conservative financial advantage at constituency level has derived in considerable degree from superior access to donations above the £1,500 reporting threshold.

This preliminary conclusion accords with recent studies of falling trends in Conservative Party membership. Party membership trends have been summarised in a recent study by the House of Commons Library⁴⁶ and they also are the subject of ongoing academic research. Statistics of party membership are a minefield because the term is defined differently in different parties, subscription rates differ and computerization has led to new ways to record membership details, a factor which probably has affected the totals. The introduction of rules permitting members to vote for party leaders has also influenced membership trends. What is clear is the disappearance of the Conservatives’ former advantage in local membership numbers. This may have occurred largely in the Thatcher era and have been disguised.

Assuming that the above rough estimate of party incomes derived from “large” – i.e. reportable – contributions are correct, the further question arises of whether loopholes in the rules make it possible to evade declaration of sizable donations. This is a significant topic for further investigation. The current reporting thresholds were raised by 50% in 2009. Since Parliament agreed to this so recently, the CSPL

⁴⁵ In the limited time available to prepare this supplementary paper, it was not possible to check to carry out the research needed to establish whether this was the case.

⁴⁶ Richard Keen (2015). “Membership of UK Political Parties.” London: House of Commons Library, Briefing Paper, SN05125, 11 August. <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN05125>. There have been significant changes in some membership levels since the paper was published.

may not wish to raise this particular topic. However, it is important to remember that discussions of a possible cap on donations is separate from the question of transparency of donations. Certainly, there comes a point at which the disclosure threshold is so low that the law is very hard to administer, at which it becomes impossible to distinguish different donors with the same name, or to avoid needless intrusion into personal privacy. This issue has given rise to considerable academic discussion in the USA and Canada, where disclosure thresholds are much lower.

(B) Donations from institutions: trade unions and companies

During the 2010-2015 cycle, declarable political donations from trade unions amounted to £54.9 million. In keeping with a long historical tradition, the Labour Party was the beneficiary. Of this total, 39.2% came from a single union, Unite. Four unions provided 74.4%.

Table 4
SOME TRADE UNION POLITICAL CONTRIBUTIONS TO THE LABOUR PARTY IN THE 2010 – 2015 PARLIAMENTARY CYCLE

(at current prices in millions of pounds)

Unite	18.013
UNISON	8.237
GMB	7.856
USDAW	6.742
CWU	2.860
UCATT	1.055
COMMUNITY	835
TSSA	556

It is also relevant to mention the role of the Co-operative movement. This funds the Co-operative Party, closely linked with Labour, as well as the Labour Party itself. In addition it sponsors Labour MPs.

Table 5
CONTRIBUTIONS TO THE MAIN PARTIES IN THE 2010 – 2015 PARLIAMENTARY CYCLE
CATEGORISED AS COMPANY DONATIONS

(at current prices in millions of pounds)

Conservative	26.608
Labour	6.374
Liberal Democrat	8.001
SNP	0.086
UKIP	3.403

The designation of a political contribution as coming from a “company” is purely legal and some of the

contributing entities are not “companies” in the normal sense of the term. For example, the Joseph Rowntree Reform Trust Limited is part of a network of mainly charitable bodies. Its designation as a company permits it to make political contributions, mainly to the Liberal Democrats and to related political causes. Like the related charitable trusts, it derives its income from endowments and not from trading. The Political Animal Lobby, a donor to Labour also has the legal form of a company to permit it to make political contributions. Similarly, the Association of Conservative Clubs Limited is a network of social clubs which contribute a portion of their revenue to the parent political party. (During the 2010-2015 parliamentary cycle, the Association of Conservative Clubs gave a total of £569,000.)⁴⁷

A further important feature of present-day company contributions is that they do not come from public corporations but almost always from private family firms. In practice, most company political contributions effectively are individual contributions designated as company contributions for tax reasons. Public companies have become reluctant to make payments to political parties. The complexity and uncertainty of company law relating to shareholder consent for political donations arguably has been a contributing factor. As a leading London law firm asserted in guidance to corporate clients in 2007, the highly involved and unclear legal framework under Schedule 19 of PPERA and of connected company legislation “makes the giving of political donations or incurring of political expenditure by companies so surrounded with difficulty as to be highly unattractive. This was perhaps the intention of the legislators”.⁴⁸ The implications of this confused legal position will be discussed later.

The rules concerning political donations by foreign companies is relatively lax since they are allowed to contribute provided that they have a UK business base and carry out business in the UK. This effectively allows some individuals barred from making individual donations because they are not included on the electoral register to do so via a UK-based company.

Information about some of the largest company donations is given in Table 6. Compared with trade union and company contributions, there were few very large (over £500,000) company payments.

⁴⁷ The National Conservative Drums Society, formally designated as an Unincorporated Association, raised £4,179,000 for the Conservatives.

⁴⁸ Linklaters (2007). “Practice note. Political donations.”
http://www.linklaters.com/pdfs/Insights/ukcorpupdate/040227_political_donations_note.pdf

Table 6
SELECTED MAJOR PAYMENTS TO PARTIES IN THE 2010 – 2015 PARLIAMENTARY CYCLE
CATEGORISED AS COMPANY DONATIONS

(at current prices in thousands of pounds)

CONSERVATIVE	COMPANY	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	JCB Research [J.C. Bamford Excavators Limited]	2,970	Chairman: Anthony Bamford See Mark Bamford in list of individual Conservative donors [Table 7]
	Lycamobile	1,199	
	IPGL	849	Michael Spencer: party treasurer 2006-2010
	David Ord	640	Party's S.W. Regional Treasurer since 1999. Joined the Conservative Foundation's Board in February 2011
	International Motors)	538	Robert Edmiston Chaired Midlands Industrial Council. ⁴⁹
	IM Properties plc)	226	Lord Robert Edmiston

LABOUR	COMPANY	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Fostermco	398	Michael Foster PR and parliamentary candidate for Camborne and Redruth.
	Saatchi and Saatchi	383	Non-cash advertising
	Bloomberg Tradebook (Europe)	311	In 2010-2015, Bloomberg made cross-party donations totaling £766,000
	Toni & Guy	260	
	Political Animal Lobby	254	

LIB DEM	COMPANY	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Joseph Rowntree Reform Trust	1,801	Political arm of the family of Rowntree charities. Longstanding main Liberal Democrat funder. Has made political donations of £8.791 million since 2001.
	Brompton Capital	1,687	Rumi Vergee
	Ministry of Sound	1,59	James Palumbo co-founded Ministry of Sound “largest independent music company in the world”.
	Ferring Pharmaceuticals	667	

UKIP	COMPANY	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Highstone Group	1,321	Owned by Yorkshire property developer Paul Sykes who was also a smaller individual donor.
	Rock Services	851	Director: Aaron Banks

⁴⁹ http://news.bbc.co.uk/1/hi/programmes/politics_show/6131780.stm

	Northern and Shell	300	Owned by Richard Desmond. Company owns Daily Express, Sunday Express, Daily Star and Daily Star Sunday
	Bown Properties	256	

(C) Donations from individuals

Some donations apparently given by individuals actually derive from the state, as will be argued below.⁵⁰

Therefore the official figures overestimate such gifts. At the same time, as mentioned already and as revealed in Table 6, contributions from companies should almost entirely be seen as coming from individual owners. After making these two opposite adjustments, the proportion of large contributions coming from individuals probably is greater than the 41% shown in Table 2.

Some of the largest individual donors during the parliamentary cycle are shown in Table 7

Table 7
SOME MAJOR INDIVIDUAL PAYMENTS TO PARTIES IN THE 2010 – 2015 PARLIAMENTARY CYCLE⁵¹

(at current prices in thousands of pounds)

CONSERVATIVE	INDIVIDUAL	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Michael Farmer	4,550	Party co-treasurer
	James Lupton	2,541	Party co-treasurer
	David Rowland	2,139	
	Michael Hintze	1,798	
	John Griffin	1,661	
	Alexander Fraser	1,504	
	Michael Gooley	1,500	
	Andrew Law	1,480	
	Christopher Rokos	1,183	
	Michael Davis	1,183	
	May Makhzoumi	1,058	
	John Sainsbury	956	
	Stanley Fink	874	Party co-treasurer 2009-
	Peter Cruddas	788	Party co-treasurer 2011-2012
	Violet Baker	769	Legacy
	Mark Bamford	592	
	Georg von Opel	539	

⁵⁰ For a discussion of this topic, see Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange, 27-34.

<http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%2008.pdf>

⁵¹ Titles and honours, where applicable, are not given.

	Barrie Pettman	515	
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LABOUR	INDIVIDUAL	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	John Mills	1,669	
	Andrew Rosenfeld	963	
	David Garrard	690	
	Martin Taylor	673	
	William Haughey	408	

LIB DEM	INDIVIDUAL	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	George G Watson	1,350	
	Dinesh Dhamija	555	
	Max Batley	400	
	David Alliance	379	£2,268,000 donated since 2001
	Raj Loomba	359	
	Graham R Hunnable	357	

SNP	INDIVIDUAL	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Christine Weir	2,005	
	Colin Weir	2,000	
	Brian Souter	1,973	
	Edwin G Morgan	1,114	

UKIP	INDIVIDUAL	TOTAL DONATED DURING PARLIAMENTARY CYCLE	COMMENTS
	Stuart Wheeler	620?	
	Patrick and Clare Barbour	270	
	Julian Blackwell	175	

The list of major donations may partly reflect the fact that the Conservatives and Liberal Democrats were in government in 2010-2015. While Labour was in office until 2010, it was more successful in attracting mega-contributors. In 2005-2010, Labour received £11.5 million in donations of £1 million plus. In 2010-2015, there was only one donation of this size - £1.7 million from John Mills. David Sainsbury, whose donations to Labour between 2001 and 2010 amounted to more than £8 million, contributed £355,000 in 2010-2015. Neither Lakshmi Mittal, who had given Labour £5 million in 2005-2010, nor Ronald Cohen, whose previous donations to Labour had totaled £2.8 million, contributed in 2010-2015. Others who had previously given at least £1 million but were not on Labour's contributor list in the recent parliamentary

cycle were Paul Drayson, Christopher Ondaatje, and Joanne Rowling.

(D) Controversies about major donations from individuals

The emergence of notably large donations from wealthy individuals as significant sources of party funding has generated controversy and criticism. Until 2001 there was no legal requirement to publish information about individual contributions to political parties, though trade union and company donations were subject to transparency legislation. Thus it is not possible to be definitive about the extent to which very large individual donations are a new phenomenon. Terms such as “mega donation” need to be treated with some caution. There are now hundreds of people whose wealth is counted in hundreds of millions. Some would be able to fund an entire major party for less than it costs to buy a yacht, a valuable piece of art, or to give a substantial charitable contribution. What is crucial for a political party may be small change for a very rich person. It is reasonable to assume that only the danger of unfavourable comment deters some multi-millionaires from giving more.

The main, and in the author’s view, by far the most damaging effect of reliance on a limited number of very large donations is that it acts as a lazy short-cut for party leaders who are thereby able to devote less time and attention to the essential democratic function of generating support from party members and supporters. There are at least three other damaging consequences. First, social events which party leaders feel the need to hold with potential mega-donors gives an image of undesirable entitlement and extravagant lifestyle by the successful few.

Second, there is a fear that major donors expect and are led to expect privileged access to the Government in order to promote their business interests.⁵²

Third, the fact that some large donors to all the three established parties have received knighthoods and peerages has been a subject of frequent comment. The most serious allegations arose after the 2005 general election relating to the so-called “loans for lordships” affair involving the then premier Tony Blair. CSPL

⁵² According to his Wikipedia entry, “[Peter] Cruddas was appointed [Conservative Party](#) co-treasurer in June 2011. In March 2012 it was alleged by *The Sunday Times* that he had offered access to the Prime Minister [David Cameron](#) and the Chancellor [George Osborne](#), in exchange for cash donations of between £100,000 and £250,000. Cruddas resigned the same day. In June 2013, Cruddas successfully sued the *Sunday Times* for libel over its coverage of him, which the High Court found had been defamatory.”

investigated aspects of this in its 2006 review of the Electoral Commission. The existence of a House of Lords Appointments Committee has provided a measure of assurance that those proposed for peerages are not merely being rewarded for their political contributions. But it has not resulted in the disappearance of concerns. A complicating factor is that many major donors who are proposed for public honours have also performed other important public services or have made notable charitable contributions. Thus a simple correlation between political contributions made and honours received is dangerous and also may be unfounded and defamatory. Moreover, the standards of proof required by the Honours (Prevention of Abuses) Act of 1925 are demanding. Political parties understandably reject the premise that making political contributions should bar contributors from receiving honours which they may deserve for unrelated reasons.

A recent academic working paper issued by the Department of Economics at Oxford University highlighted the notable correspondence between political contributions and peerages.⁵³ It was provocatively titled “Is There a Market for Peerages? Can Donations Buy you a British Peerage? A Study in the Link Between Political Party Funding and Peerage Nominations, 2005-14.” It presents a set of powerful statistical correlations but wisely avoids mentioning any individuals

4. INDIRECT STATE FUNDING

The statistical category “public funds” used by the Electoral Commission is misleading and underestimates the extent and growth of state funding of British political life. Indeed, this growth is one of the most important and ignored trends. Throwing light on the details of this trend is one of the most pressing research tasks in the field of British political finance. There is a strong case for CSPL to include the topic in its possible programme.

The Electoral Commission defines “public funds” as (a) the £2 million per annum allocated to government and opposition parties since 2001 as “policy development grants” under the terms of the PPERA, (b) “Short

⁵³ Andrew Mell, Simon Radford and Seth Alexander Thévoz (2015). “Is There a Market for Peerages? Can Donations Buy you a British Peerage? A Study in the Link Between Political Party Funding and Peerage Nominations, 2005-14.” University of Oxford, Department of Economics Discussion Paper, March.

<http://www.economics.ox.ac.uk/materials/papers/13888/paper744.pdf>

Money” for opposition parties in the House of Commons, a scheme introduced in 1975,⁵⁴ (c) “Cranborne Money”, a parallel scheme for opposition parties (and cross-benchers) in the House of Lords introduced in 1996, (d) grants to opposition parties in the Scottish Parliament.⁵⁵ As seen in Table 2, the proportion of income of the political parties from these sources in the 2010-2015 parliamentary cycle was 16%.

It is questionable whether the schemes to aid opposition parties in the London and Edinburgh parliaments should be listed as public funding of political parties. If the money is used for its intended purpose, it should not be used directly or indirectly to promote party organization outside the relevant legislatures. Whether these grants are properly used is itself a significant topic for inquiry.

By contrast, several forms of de facto public funding need to be considered. There is the long-standing system of public funding in kind, especially free party and election broadcasts, as well as free postage for parliamentary candidates. This will not be considered further here but is an essential part of the system whose high monetary worth has been detailed in previous writings.⁵⁶

A significant development has been the gradual growth in the UK of the system common in many other countries of what commonly are called “party taxes” or by terms such as that used in the United States: “macing”. In “party taxes” systems, elected officials in receipt of public salaries are expected (with lesser or greater formality) to donate a proportion of these salaries to their party organisation. It may, of course, be argued that if their public salaries are sufficient to allow such a sacrifice, it would be better to reduce

⁵⁴ Richard Kelly (2016). “Short Money.” London: House of Commons Library, Commons Briefing papers SN01663. <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01663>

⁵⁵ The Scottish Parliament “Financial Assistance to Non-Government Groups” <http://www.parliament.scot/msps/58477.aspx>: “Section 97 of the Scotland Act 1998 provides for an Order in Council to allow the SPCB to provide assistance for opposition parties (link: <http://www.legislation.gov.uk/ukpga>) by making payments to registered political parties in the Parliament “for the purpose of assisting members of the Parliament who are connected with such parties to perform their Parliamentary duties.” To be eligible, a party may have no more Ministers or Junior Ministers than one fifth of the total number of Ministers and Junior Ministers within the Scottish Government. An eligible party is entitled to an annual sum based on the number of members of the Parliament who are connected to the party, and the Assistance Order makes provision for annual up-rating of this sum.”

⁵⁶ See Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange, 29, Table 8. This estimated the value of these subsidies in kind in 2001-2005 as some £200 million and summarized as follows: “The value of free broadcasting is hard to measure. Their monetary worth, estimated recently by Tyrie (2003 and 2006), was previously discussed in Pinto-Duschinsky (1981) and by the Committee on Standards in Public Life (CSPL, 1998). It is clear both that such free broadcasts have a very considerable value, despite the fact that they do not take the form of frequent and short slots, and also that it is hard to quantify their value because commercial advertisers do not purchase television and radio time in such large chunks as free broadcasts by political parties.” <http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%2008.pdf>

them rather than permit a practice which effectively pours public funds into party coffers in this underhand way. Regardless of the rights and wrongs, the extent of party taxes needs to be made known. The SNP is open in its annual reports about the party's expectations concerning contributions by its elected officials. In its published accounts for 2014, it records income of £208,000 in 2013 and £214,250 in 2014 from its "Parliamentary levy". This, it explains, "is a levy imposed on all SNP MPs, MSPs and MEPs."⁵⁷

There are similar expectations among a number of groups of Liberal Democrat councillors. In the accounts for 2013, Colchester Liberal Democrats report that of gross income of £57,324, over half (£30,222) came from "councilor contributions".⁵⁸ In 2014, Cambridge Liberal Democrats received £19,394 from the party's local councillors⁵⁹ while the city's Constituency Labour Party received £10,195 from its local councillors.⁶⁰ In Oxford West and Abingdon, the Liberal Democrat accounts for 2012 stated "[a]lmost all Councillors are contributing 10% of their basic allowances."⁶¹

The author wrote in 2008 of the pressures sometimes exerted on MEPs to hand a portion of their allowances to the UK headquarters of their party:

"One political party is reported to require its MEPs to pay out of their allowances for commercial services provided by the headquarters. It has even been alleged that MEPs have been led to believe that they would be demoted in the list of candidates used under the proportional representation system used for elections to the European Parliament if such payments were not forthcoming."⁶²

Further public money flows into party accounts via arrangements for using parliamentary allowances of MPs to hire accommodation in offices of their local parties. According to the same study,

Some MPs from all the main parties pay their local organisations for the part-time use of their offices. This is justified on the ground that they use them for meetings with constituents ("surgeries"). In Scotland, MSPs are given a special allocation of money for a constituency office.

⁵⁷ <http://search.electoralcommission.org.uk/Api/Accounts/Documents/16490>, 24.

⁵⁸ <http://search.electoralcommission.org.uk/Api/Accounts/Documents/15126>, 4.

⁵⁹ <http://search.electoralcommission.org.uk/Api/Accounts/Documents/15686>, 7.

⁶⁰ <http://search.electoralcommission.org.uk/Api/Accounts/Documents/16058>, 5.

⁶¹ <http://search.electoralcommission.org.uk/Api/Accounts/Documents/10285>, 2.

⁶² Michael Pinto-Duschinsky (2008). *Paying for the party: myths and realities in British political finance*. London: Policy Exchange. <http://www.policyexchange.org.uk/images/publications/paying%20for%20the%20party%20-%20apr%202008.pdf>. A recent study of local-level party funding in Germany details the extent of such "party taxes" in that country. See Manuela Blumenberg and Karl Heinz Nassmacher (2016). "Inequality at the Grassroots: The Funding and Spending of German Political Parties at the Local Level." Paper presented to the Research Committee on Political Finance and Political Corruption at the World Congress of the International Political Science Association, Poznan, 28 July, <https://wc2016.ipsa.org/sites/default/files/ipsa-events/istanbul2016/papers/paper-64341-2016-07-01-1005.pdf>.

This office may be the same as that of a local political party. The rules governing the shared space are hardly onerous and seem to make it possible to use public funds to pay for local party premises: *Parliamentary offices may be acquired in association with political party premises, but must be a clearly definable office space. Party political material is not permitted to be externally displayed in areas occupied by the Parliamentary office. (Scottish Parliament, 2007, Annex A, A2.)*

The published accounts of some constituency parties set out the payments made by MPs out of their allowances for the use of premises. In one case, an MP paid £64,625 to his local party as rental in the five years from 2002-6. This covered the bulk of the constituency party's rental costs.

Since the 1970s, several additional developments have led to a quiet revolution in the funding of local party organisation. Incumbent MPs have been entitled to greatly increased allowances to employ staff. In formal terms, they are supposed to provide MPs with assistance to carry out their parliamentary duties – research and casework for constituents regardless of party affiliation or political sympathies. In practice, there is a fuzzy line between these public duties and campaigning for re-election. Under a system where sitting MPs are able to use public money to employ assistants, there is less incentive for their local party organisations to raise private money needed to employ full-time constituency agents as was the earlier practice. A side-effect of the increase in allowances for MPs is to give incumbents a great financial advantage over potential challengers.

The past forty years have seen a notable growth of payments and allowances for local government councillors. Under the scheme of “Widdecombe Money”, there have been payments since 1989 to party groups in local authorities. Mayoral elections and the creation of devolved assemblies have produced further state-funded jobs for party workers.

The cumulative result of these and other developments (such as the growth in the number of special advisers to ministers – party appointees paid by the state) has been that the vast majority of party professionals – elected officials and party staffs – now receive their salaries wholly or partly from public budgets and not from money raised by the parties themselves.

To what extent do MPs, mayors, members of devolved assemblies and local councillors use their publicly funded staffs to perform partisan services? Has the increased availability of public funding of such staffs acted as a disincentive for local party organisations? In the author's view, it is no longer possible to obtain

a realistic and complete picture of patterns of political finance in the UK without including indirect state funding in the field of inquiry.

5. “OFF-SHORE ISLANDS” OF POLITICAL PARTIES

In the business field, individuals and companies are often tempted to escape from the taxation regimes of their own countries by using off-shore islands. In the same fashion, it becomes rational for political parties and donors to find ways to evade regulations and restrictions specifically targeted against them. In (West) Germany in the 1950s and 1960s, political parties found it beneficial to use so-called “party foundations”. These foundations were legally independent from their parent parties but were closely connected with them in practice. In German parlance, the foundations were “party-near”.

The passage of PPERA in 2000 created incentives for British parties to move some of their functions “off-shore”. In particular, it became advantageous to conduct research through think tanks. Provided they took simple precautions and avoided exclusive support for the parent party, they could take advantage of charitable status. This not only permitted donors to make gifts anonymously – something no longer allowed for party donations above the reporting threshold mandated by PPERA, it also made such donations tax free.

It is not necessary to list such bodies here. Moreover, there are think tanks whose party connections are less direct but which have a broader partisan orientation. As with the topic of indirect state funding raised in the previous section, the main purpose here is to draw attention to the need to include an inquiry into these organisations in any review of contemporary British political finance.⁶³

6. MONEY AND POLITICS: THE NEED TO LOOK AT THE BIG PICTURE

Doubtless, any extension of the scope of “political finance” makes for complication. But the price of ignoring some of the main ways in which money is used to influence British politics is to misunderstand the essential context of laws narrowly focused upon political parties and candidates. The scope of “money

⁶³ Another significant area of possible indirect political influence concerns the promise or apparent promise of employment to politicians following their retirement from ministerial office. Post-retirement employment of senior civil servants is a parallel issue.

in political life” is even broader than has been indicated so far. Money may be poured into lobbying, into procuring influence through the ownership of newspapers and other press and media outlets and into securing influence in a variety of indirect ways.

At an international level, OECD has stressed the need for a holistic approach to the issue of money in political life with attention to lobbying as an essential component. At the national level, the Conservative-Liberal Democrat Coalition Government enacted the somewhat controversial Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. The Conservative Government elected in 2015 then introduced legislation concerning trade union political funds which eventually contained a number of compromise measures to ensure its passage through the House of Lords.⁶⁴ Though the effects of these Acts are not considered in this paper, they will be a suitable subject for CSPL to review.

The evidence produced during the public testimony in 2011 and 2012 before Lord Justice Leveson’s inquiry into the telephone hacking scandal showed the great weight placed by senior politicians on the political influence of the press. In an historical context, Stephen Koss’s study *The Rise and Fall of the Political Press in Britain* demonstrated the vital role of press ownership in party political finance. Prime Minister Stanley Baldwin famously accused press magnates of the day of wielding “power without responsibility”. The Leveson Inquiry showed that it is a mistake to regard the influence of press owners – including foreign owners – as a thing of the past.

Leading economists such as Joseph Stiglitz, a winner of the Nobel Prize for Economics, have suggested that a particular aim of the super-rich is to influence specific tax policies and regulatory rules.

The core point is that the funding of election campaigns is only one of a number of channels of influence. The California-based billionaire Haim Saban set this out in a magazine interview, The two others he mentioned are the purchase of newspapers and the funding of think tanks.⁶⁵

⁶⁴ Trade Union Act 2016.

⁶⁵ A current campaign based in Washington to put pressure on the UK authorities to clamp down on Russian and other oligarchs resident in Britain throws interesting, though inevitably speculative, light on the work of lawyer lobbyists and others who act as advisers to the ultra-rich. In an essay commissioned by the US-based Hudson Institute and published in May 2016 as background to a

The implication of these thoughts for a body such as CSPL is that ideally it would be worthwhile to include its future programme a seminar at which economists, investigative journalists, lawyers with experience of ultra-wealthy clients and others can discuss their impressions of channels and techniques of lobbying which may not be immediately obvious.

series of “London Kleptocracy Tours”, Oliver Bullough has analysed the “Three Stages of Enabling” used by expert representatives of foreign oligarchs to gain admission to the UK and then to assure their protection against extradition. While the political context of the piece must be considered, it is interesting in its stress on the third stage of enabling which it calls “reputation”.

The author’s argument is that when money is unlimited, influence and protection may be purchased in a whole variety of money-no-object ways including gifts of valuable art to museums, major donations to universities (as a way to gain access to senior politicians and even members of the Royal Family). In addition “[t]he most specialized enablers are found at the very summit of Stage Three, and those are the political lobbyists. ... The Western enablers who assist foreign kleptocrats may well have other lines of business. One of these may well include participation in the wealth defense industries in their own countries, an industry that helps protect very wealthy individuals from the encroachments of their own nation’s tax codes and other nuisances.”

See Oliver Bullough (2016). “Stage hands.” *American Interest*, 1 May. <http://www.hudson.org/research/12463-stage-hands>