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**HOUSE OF COMMONS  
LONDON SW1A 0AA**

**EVIDENCE TO THE COMMITTEE ON STANDARDS IN PUBLIC LIFE**

**A summary of my proposals is provided at the end of this submission.**

**For this submission, I have drawn extensively on two papers I wrote on related themes. I attach electronic versions. *Pruning the Politicians* (2004) made proposals for far-reaching reform of some of the functions of the Electoral Commission. *The Conservative Party's proposals for the funding of political parties*, published in March 2006, makes a number of proposals which bear on the Electoral Commission's role.**

**Much of what follows will appear critical of the Electoral Commission. The Commission's performance has indeed been mixed in the first few years of its existence. But the Commission has been led by a determined chairman and it contains a committed team. The victim of defective legislation, and a lack of clarity in what it was asked to achieve, the Electoral Commission has struggled hard to construct a new institution.**

**Some of the replies in this submission are broader than the questions posed in the 'Issues and Questions paper', but I note the Committee's intention to address "the core issues of mandate, governance and accountability of the Electoral Commission" (paragraph 1.13) suggesting a wide ranging enquiry.**

*Questions about the mandate of the Electoral Commission*

1. Is the mandate set out in the PPERA conducive to the efficient and effective operation of the Electoral Commission as the regulator of elections and party political donations in the UK?

**The primary task of the Electoral Commission must be to bolster the Electorate's confidence in the democratic process and to respect the outcome of elections. In my view, the conduct of elections since the Electoral Commission's creation has resulted in a diminution of that confidence. For a number of reasons, the Electoral Commission has to bear some responsibility for that. Some of these are set out in the evidence below.**

**First, it is worth putting these issues into perspective. The case for the creation of the Electoral Commission was based on a belief that the existing administrative arrangements for the conduct of elections were failing, to some degree, to maintain the electorate's confidence, or were likely to fail. Specifically, three main arguments were put forward by proponents of an Electoral Commission, including the Committee of Standards in Public Life<sup>1</sup>: neutrality, efficiency, and responding to changing circumstances. First, it was considered important that the oversight of elections should be in the hands of a body entirely independent of government and political parties, which could be relied on to be neutral, and seen to be neutral. Second, it was held that in order to avoid the risk of breakdowns in co-ordination or communication among the collection of different government agencies which was responsible for elections, the electoral process should be managed by a single body. Third, it was argued that rapid change in electoral law, modern electioneering practices and the electronic media posed a challenge for the management of the political and electoral process, requiring a much more single-minded approach which only a new, dedicated body could provide.**

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<sup>1</sup> Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom*, October 1998.

In the period since the Commission has been established the evidence is that the reputation of the electoral system for achieving any of these things has plummeted. There has been a string of very significant failures in the democratic process, partly the result of ill-thought out alterations to well-established and reasonably smoothly-run practices. These episodes have weakened, rather than strengthened, the electorate's respect for and confidence in democratic outcomes, the overriding purpose of the creation of this body at the outset. In some cases it can be argued that the Electoral Commission has either itself been responsible for the mishaps, or has been insufficiently vigorous in pursuing the perpetrators. Two of these failures have been particularly significant.

First, the effective disenfranchisement of a large proportion of voters in the armed services, under new rules introduced in the PPERA, was wholly unacceptable, but readily foreseeable. Thousands of service voters found themselves unregistered in the General Election in 2005. This was an inadvertent by-product of PPERA, which replaced the armed services personnel scheme with a requirement for annual registration. The latter is akin to civilian practice, but it was applied to a group of people whose responsibilities make it particularly impractical.

I discovered this problem in my own constituency in 2004, and raised it with the Electoral Commission at least nine months before the last General Election, orally and subsequently in correspondence, on several occasions. I was shocked to find that the Commission was initially unaware of the problem. Nor was it possible to persuade the Commission to take this issue sufficiently seriously, prior to the 2005 election. The Ministry of Defence must shoulder much of the responsibility for this farrago, but the attitude of the Commission was, in my view, dilatory. It is ironic that, as a country, we should have expected our military to put their lives at risk to extend democracy in countries such as Iraq while neglecting to ensure that they were able to vote in the General Election at home – an election in which one of the principal issues was the military action in Iraq.

Second, the Commission has been one of the principal agencies supporting a massive extension of the pre-existing postal voting arrangements, especially all-postal voting schemes. Its evaluation of all-postal voting pilots<sup>2</sup> in the local elections of 2003 claimed that they had been a success, and recommended that all-postal voting should be made available at all local elections. As a result of their report, all-postal voting was introduced on a pilot basis for the European and local government elections of 2004. The Commission recommended that the pilots should take place in the North East and the East Midlands. The Government insisted on extending it to the North West and Yorkshire and the Humber as well. There were widely expressed worries about the impact of the extension of all-postal voting – without adequate preparation – on the integrity of the voting process. In its report on the elections,<sup>3</sup> however, the Commission claimed to find no evidence that there had been significantly greater fraud in voting. It did, though, reverse its previous thinking, by arguing that all-postal ballots should not be used for statutory elections, as it deprived voters of a choice of voting methods.

When it came to the referendum in the North East on a regional assembly in 2004 the Electoral Commission changed its mind again and recommended an all-postal ballot, for what it argued were reasons specific to that election. But in April 2005 the conclusion of prosecutions relating to postal voting fraud in Birmingham and Blackburn (during the 2002 and 2004 local elections) revealed that postal voting has been subject to outrageous and systematic abuse – or, as the judge in the Birmingham case said, a situation that ‘would disgrace a banana republic’<sup>4</sup>.

There have been a number of further allegations in relation to postal voting in the 2005 General Election and the 2006 local elections, especially in Birmingham and in several of the London boroughs. The Commission has

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<sup>2</sup> Electoral Commission, *The Shape of Elections to Come: a strategic evaluation of the 2003 electoral pilot schemes*, July 2003.

<sup>3</sup> Electoral Commission, *Delivering democracy? The future of postal voting*, August 2004.

<sup>4</sup> Richard Mawrey QC, cited in, for example, *The Times*, Labour Election fraud ‘would disgrace a banana republic’, 5<sup>th</sup> April 2005.

now correctly identified a possible solution – individual registration – but it has yet to convince the government of it, as a prerequisite for wide-scale postal voting.

These two examples show how the Electoral Commission has played a role where things have gone wrong – or at least failed to do all it could to prevent them from going wrong, although it should be borne in mind that the Electoral Commission’s main role on both issues has been advisory. A third example shows just how important it is that they get them right in future.

There is universal agreement that the existing system by which parliamentary constituency boundaries are set, the four Boundary Commissions established originally in 1944, but now under the Parliamentary Constituencies Act 1986, is ramshackle and in need of reform. This is particularly true of the rules established under the Act to achieve equally-sized constituencies. The Electoral Commission is to assume responsibility for the Boundary Commissions (which will become Committees) following the completion of the fifth Boundary Review, expected to be this year. The Commission’s members have known for over five years that they would be taking on these responsibilities. Yet they have done little to prepare the ground for reform, despite universal acceptance of the need for change. An issue as sensitive as this, which has been a major source of controversy in many other democracies, including the US, has to be handled in as open and transparent a manner as possible. It is already a matter of concern that the Electoral Commission has not even apparently considered what mechanisms it might establish for taking forward discussion and negotiation on reform.

As the Committee stated in its 1998 Report, the core, and most important, function of the Electoral Commission was to be a regulator of elections and of party political donations in the UK. Prior to the PPERA, elections were run by the Home Office and were handled reasonably competently and with little public fuss. Since the Commission’s establishment in 2001 it has not yet shown itself to be sufficiently effective at the job. However, it has put

considerable energy and resources into other parts of its remit. The requirement of the PPERA on the Electoral Commission to encourage greater participation in, and understanding of, the democratic process have helped the Commission to attract greater public attention to its work. But arguably it has distracted it from its core, essential role of regulating the democratic process.

This is not simply the Commission's fault. The recommendations made by the Committee on Standards in Public Life for the functions of the Electoral Commission did not include the encouragement of participation in the democratic process, and this function was added by the Government in its White Paper. The Committee on Standards in Public Life were right to exclude it. As noted below, they already felt that it had given a very challenging remit to the Commission, without the addition of this extra burden. The Commission has found it difficult to manage its priorities. It has not, apparently, tried to contest or qualify the Government's agenda for increasing participation. As explained in the answer to Question 4, it is in any case very doubtful that the current concern with voter disengagement has correctly identified the real problem – or the appropriate solution.

2. In the light of the experience of the last five years are there any appropriate revisions to the mandate of the Commission that should be made to the PPERA?

As is argued above, it is of paramount importance that the Commission should ensure that it can carry out its core role of the administration of the British electoral system competently and efficiently and not be distracted from that task. The Commission will very shortly be taking on another enormously important task: that of ensuring that the UK's population is fairly and equally represented. The Boundary Committee for England has since 2002 been a statutory committee for England, and the functions of the four Boundary Commissions will be transferred to the Electoral Commission following the completion of the fifth general review of parliamentary constituencies in the UK.

It is worth emphasising that the Committee on Standards in Public Life, in its 1998 report<sup>5</sup> on the Funding of Political Parties, which recommended the Commission's establishment, noted that 'to transfer [responsibility for Boundary reviews] to the Election Commission [*sic*] might seriously overload that body, whose responsibilities, it seems to us, will be onerous enough as it is' (para. 11.27). I note the Committee's scepticism about the Commission's capacity to carry out this essential task. I hope that it is not prescient.

The current approach to determining electoral boundaries desperately requires an overhaul. The system was originally created in 1944, and it is universally accepted that it is deficient in a number of respects. Most significantly, it means that there are wide differences between the numbers of voters in different constituencies in the UK. In other words, a vote has a different value depending on where it is cast. The average number of voters in an English constituency is much bigger (69,928 in 2001) than a Welsh constituency (55,904). There are wide variations within England, too. Under the proposals made in the current Commission's review, the Isle of Wight will have over 103,000 voters; Hackney South and Shoreditch will have only 57,204. This inequality is unfair to electors – whose votes are not of equal value – and it is unfair between parties.

The reason for the inequality is the operation of the rules under the Parliamentary Constituencies Act 1986. The quota (the ideal average size for a constituency) is set separately for England, Scotland, Wales and Northern Ireland. Under the current review it is 69,935. Although the Commissions are supposed to create constituencies that are as close as possible to the quota, in practice, the rules allow creating seats much smaller than the quota for 'special geographical considerations', or to avoid 'inconveniences' and 'local ties'. The result has been not only inequality in the size of parliamentary constituencies, but also an inexorable growth in the number of constituencies. Reviews also currently result in new boundaries based on

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<sup>5</sup> Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom*, October 1998.

electorate figures already a decade out of date. Reasonable though they appear at first sight, the Rules are confused and perverse in the way they operate, frustrating the original intention of the legislation to peg the number of constituencies to 613 in Great Britain and 17 in Northern Ireland.

This is not the place to indicate a complete solution to the problem: there are a number of possible solutions. Mine are set out in *Pruning the Politicians*.<sup>6</sup> But it is important to state that in order to sort out the difficulty, it will be necessary to make alterations to the way in which the functions of the Boundary Commissions are to be absorbed into the Electoral Commission. In particular, rather than the four separate boundary committees, which will be created as committees of the Electoral Commission, there should instead be a single Parliamentary Boundary Committee for the UK as a whole, so that the distribution of seats will be approached on a national basis. These recommendations would of course require changes to primary legislation. In addition a public debate is required, initiated by the Electoral Commission, on reform of the rules.

3. In particular, is there an appropriate balance between the executive and advisory functions of the Electoral Commission?

The creation of an independent body dealing with the electoral system has provided an appearance of neutrality. But it has created a new risk. Now that the Commission is a source of independent advice the Government can act as if absolved of its own obligation to act impartially in this area. The Government may be able to abuse the system more effectively by claiming that it has been open to independent advice – even if it did not take the advice. The postal voting fiasco has shown that the Government is perfectly willing to ignore the Commission’s views where they prove inconvenient.

A response to this concern might be to make the Commission more independent. But this is not an easy answer. We should be exceptionally

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<sup>6</sup> See pp. 23-8

cautious about doing so. Decisions on the electoral system are political ones, and in the final analysis they must be taken by politicians. The Commission's advice – and the reaction of the government to it – should be open, as at present, so that the electorate can at appropriate moments take a view on what evidence it provides of a government's willingness to deal openly and properly in electoral matters. The Commission should be prepared to be more robust in giving its advice, and command greater attention when it believes that action by the Government puts at risk its core functions.

4. Has the appropriate balance been struck in the division of responsibilities between the Electoral Commission and other public bodies in promoting awareness of and participation in elections and referendums?

There is a case for considering whether this function of the Commission should be dropped, at least until the core functions are seen to be operating better. This is, I accept, a controversial view: there has been much attention to the issue of voter disengagement, both in the UK and elsewhere, and frequent claims that voters have too little information and understanding about politics and the political process. In fact, there is a large amount of research on this subject, little of it conclusive, much of it contradictory. But whatever the reasons for the decline in electoral turnout, common sense suggests that the sort of approach to the problem that the Commission exemplifies is misconceived.

The work of the Electoral Commission in promoting awareness of, and participation in elections and referendums is presumably (judging by many of the awareness campaigns that have been run) predicated on the assumption that voters feel disengaged because they don't know enough about the political process. In fact the likelihood is that the electorate does not vote because the political parties are currently presenting them with insufficiently interesting, different or attractive choices or, as in the last few elections, because the electorate considers the result to be a foregone conclusion. As recently as 1992 an election took place where the choice was clear, but the likely outcome was very unclear. The result was one of the

highest turnouts in modern British history. Where the interest of the electorate is engaged, and the choices presented are substantive, turnout is likely to rise. In my view, deciding not to vote is a legitimate political act.

This implies that spending money on awareness and participation may therefore be the wrong answer. What is needed is greater capacity within the political parties to develop policy that engages the public. The current Policy Development Fund administered by the Commission, the creation of which I advocated and supported in evidence to your Committee in January 2000, is a contribution towards this. I make proposals in the answer to question 5 in relation to this fund.

Even if the ‘disengagement’ analysis were right, it is unlikely that the sort of action being taken by the Commission would be effective in dealing with it. The problem would be too large to be overcome by a small government agency, occupied by many other functions. In any case, it is almost impossible to work out whether it has had any effect. In discussions with the Speaker’s Committee<sup>7</sup>, Mr Younger has accepted that it would be difficult to measure the Commission’s progress towards meeting the objective of a ‘demonstrable contribution to increased public awareness of the electoral process’, but that the annual audit of public engagement which the Commission conducts with the Hansard Society ‘would be helpful in this context’. In fact, the audits of political engagement concerned can scarcely be said to have shown any significant improvement.<sup>8</sup>

To the extent that the analysis is right, and there is an endemic and deep-seated problem with voter disengagement, all the evidence suggests that simple awareness of the electoral process is not enough to tackle it effectively: the real solutions lie, among other things, in politics and the behaviour of the political parties.

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<sup>7</sup> House of Commons Speaker’s Committee, Second Report, July 2005. See Minutes of the Twelfth Meeting, Tuesday 2 February 2005.

<sup>8</sup> In the 2006 audit, 39 per cent of those polled said they know a ‘fair amount’ about politics, down from the 45 per cent recorded by the audit in 2004. In many other of the measures there has been little significant change in the responses recorded across the annual audits.

**Furthermore, as argued above, the engagement project is a distraction for the Commission, and one that may have contributed to its difficulties.**

5. Does the Electoral Commission operate as a strategic regulator in exercising its responsibilities in relation to: (a) the regulation of political parties; (b) the regulation of donations to parties; and (c) the control of campaign finance?

**The issues and questions paper explains a ‘strategic regulator’ as one that acts as a catalyst to help political parties meet their responsibilities as regulated bodies, and concentrates on work where it will have most impact so that activity is proportionate and based on risk assessment.**

**There has been some evidence of late that, in these areas, the role of the Commission has been too strategic and insufficiently regulatory. In particular, the way in which loans to political parties could be used to evade the declaration requirements under the PPERA has been all too clearly revealed. Equally, while limits on overall expenditure in General Election campaigns have been introduced, it is not yet clear whether the Commission have yet devised adequate techniques effectively to police these limits: it is questionable, for example, whether the rules on donations to third parties are adequate to prevent the limits being breached. The Commission must also be effective in preventing diversion of the Policy Development Fund towards any party’s routine administrative expenditure – they should not rely on assurances.**

**The Conservative party has recently put forward proposals on party funding. These set out reforms to the current rules on the regulation of donations and the control of campaign finance, which would give additional responsibilities to the Commission and which suggest that its regulatory role should be taken much more seriously. The proposals included:**

- **Caps on donations by individuals and corporations, institutions and Trade Unions;**

- **A ban on all kinds of loans to political parties, except by financial institutions on fully commercial terms; the Commission should oversee these to ensure that they do not become disguised donations;**
- **Income tax relief – and a matching funding scheme for non-taxpayers – for donations to political parties;**
- **A General Election Fund to help finance political parties during, and following, General Elections. This would replace the existing Policy Development Grants currently operated by the Commission. The Commission would administer the new fund as well, and be responsible for auditing expenditure of the money.**

*Questions about the governance of the Electoral Commission*

6. Does the independent legal status of The Electoral Commission provide it with sufficient independence from Government?
7. Is the financing of The Electoral Commission – through a combination of income received by the Commission for services, and money provided by Parliament from the Consolidated Fund – compatible with its independent regulatory role? Is there a more appropriate way of financing The Electoral Commission?
8. Are the restrictions on who can be an electoral Commissioner appropriate in the light of the responsibilities of Commissioners under the PPERA?

**No-one with current or even recent experience of party politics may be a Commissioner, or have direct involvement in the Commission’s discussions of policy. This is an absurd state of affairs. The Parliamentary parties’ panel, made up of Party Registered Treasurers and Nominating Officers or their nominees, was an attempt to make up for this deficiency. However, as the**

**Issues and Questions paper suggests, the panel has been largely concerned with detailed, practical issues, rather than a discussion of the broader issues involved. While, as a regulator, it is important for the Commission to avoid any suspicion of closeness to any particular political party, it should not be so isolated from current and recent political experience. It is not appropriate and should be changed. Rules for staff may also be re-examined.**

**There are a number of possible solutions. For example, four seats on the Commission might be devoted to representatives of each of the major political parties, plus one to represent minor parties. A mechanism could ensure that these members do not outweigh the non-political members: for example they could be non-voting members, or could only vote as a bloc, if all are agreed. Arguably, formal representation might be a bridge too far: the Commission may, under extreme circumstances, need to take decisions on referrals of a party for possible prosecution. If so, other mechanisms, such as a broader based advisory panel, might be preferable. Correctly, the Electoral Commission is also trying to build informal links with the political parties, but this may not suffice.**

*Questions about the accountability of the Electoral Commission*

9. Does the Speaker's Committee of the House of Commons constitute an appropriate and effective accountability mechanism for The Electoral Commission?

**The Commission's lines of accountability are opaque. It seems extraordinary that a body which is supposed to be a standard bearer for the best political practice should be overseen by a Committee in such an obscure manner. This isn't any fault of the Commission, or its Chairman, and I have the impression that senior staff are themselves concerned about the lack of serious and transparent scrutiny. Although summary minutes of its meetings are published by the Committee in its annual reports, these are very difficult to access via the Parliament website, nor do they include the usual verbatim transcript of the meetings with the officials of the Commission. Neither do they convey an impression of searching scrutiny. The Commission needs to**

**be much more firmly aware of the political context within which it operates, and needs an effective input from serving politicians.**

**It is true that, as a regulator, there is some difficulty with the Commission being strictly accountable to a political body, although there is no evidence that this has been in practice a problem so far. But the Commission has around 150 staff and is spending about £26 million this year. It deserves and requires a much more thorough scrutiny of its spending and operations than it is currently getting. Accountability with a political element does not have to mean that the Commission is dominated by politicians.**

**A new statutory committee should be created, charged with overseeing the Commission. The statutory committee, chaired by an opposition politician, and without a government majority, should assume the scrutiny work of the Electoral Commission at present performed by the Speaker's Committee (see answer to Q10).**

10. If it does, are there any incremental changes to its composition, mandate or procedures which would contribute to its effectiveness?

**A Statutory Committee needs to be created that will guard against the tendency of all institutions to find work for themselves – to expand their roles and activities into areas which are neither theirs nor necessarily relevant to their main task. The Commission needs to be kept closer to its central mission, at least for now. A number of reforms could achieve this:**

- It is unnecessary and inappropriate that the Committee should be chaired by the Speaker, who is already overburdened with administrative tasks of this nature. It would be more appropriate if the Committee were to be chaired by a senior opposition Member, as is the Public Accounts Committee.**

- **The Committee’s membership needs to be reviewed. The current membership as listed on the Parliament internet site does not include any minister at all (in the last parliament the Minister of State for local government was included, as was the Lord Chancellor). As argued above, the Committee needs to be larger, and to include senior politicians, especially those with experience of the electoral system, for example former Home Office ministers.**
- **The Committee meets in private. It should plainly not do so other than in very exceptional circumstances. Full transcripts should be taken of its meetings. All papers should be published immediately and accessibly on Parliament’s website.**
- **The Chairman of the Constitutional Affairs Committee does sit as a member of the Speaker’s Committee, but the Committee itself should have a much more direct input into the work of the Speaker’s Committee (see below).**
- **The Committee should be renamed, perhaps, the Electoral Commission Scrutiny Committee.**

**It is for consideration whether the Constitutional Affairs Select Committee could also play a large role. It should have no executive role in the work of the Commission, and no role in providing formal parliamentary approval for its budget or appointments – although it might well adopt an informal practice of holding ‘confirmation hearings’ with newly-appointed commissioners, as the Treasury Committee does with members of the Monetary Policy Committee of the Bank of England. Its role could be to bring more public scrutiny to the Electoral Commission’s role and to advise the statutory committee. A Select Committee might be in a better position to provide effective constructive criticism on the work of the Commission than a statutory committee.**

11. If it does not, is there an alternative mechanism to make The Electoral Commission more accountable?
12. Are the devolved administrations of the UK appropriately incorporated into the accountability mechanism?
13. Has the Parliamentary Parties' Panel and its decentralised variants been an effective way of The Electoral Commission engaging in dialogue with political parties? Is there a more effective way of conducting this dialogue?

**See above.**

*General question*

14. The Committee would find it valuable to receive evidence about the development and operation of policy areas within the remit of the Electoral Commission that highlight issues regarding the Commission's mandate, governance and accountability.

**The Commission has had a difficult start, working under ill-thought out legislation. It now faces a series of major challenges, and it is imperative that it is in shape to meet them. The proposals here are intended to contribute towards that goal. In summary:**

- 1. The Committee should concentrate its efforts and resources on its role of regulation of the electoral system: consideration should be given to setting aside its role of attempting to encourage participation in elections, in order to help it to concentrate on its core tasks.**
- 2. The Commission should exercise leadership in the development of policy and reforms relating to the setting of boundaries for parliamentary elections in the UK. It should begin to prepare the ground for radical reform of the system to make constituencies more equal in size.**

- 3. The Commission should be prepared to give robust advice to the Government on matters of electoral law and administration and vigorously point out in public where it disagrees with the Government.**
  
- 4. The Commission needs to ensure that it is able effectively to carry out its responsibilities in relation to party funding and the regulation of political parties. Its work in this area will need to be more vigorous and robust in order to ensure the confidence of the public in the system. The public must be convinced that the Commission does not see this function as a mere ‘box filling’ exercise, but a determined and rigorous process of holding the political parties to account.**
  
- 5. Changes must be made to the accountability arrangements for the Commission. There are a number of ways in which this can be done. A new statutory committee to replace the Speaker’s Committee would be advisable. Building in a role for the Constitutional Affairs Select Committee should also be considered.**

16<sup>th</sup> May 2006

# Pruning the Politicians

**The case for a smaller  
House of Commons**

Andrew Tyrie MP

**CONSERVATIVE**  
*Mainstream*

*Winning from the Centre*

## **THE AUTHOR**

Andrew Tyrie has been Shadow Financial Secretary to the Treasury since 2003 and Conservative Member of Parliament for Chichester since May 1997. He has published extensively on constitutional affairs and economic policy. His most recent publications, *Axis of Instability; America, Britain and the New World Order after Iraq* (The Foreign Policy Centre and the Bow Group, 2003) and *Mr Blair's Poodle goes to War: The House of Commons, Congress and Iraq* (CPS, 2004) have been on foreign affairs.

### **About Conservative Mainstream**

Conservative Mainstream seeks to extend the appeal of the Conservative Party so that it commands the ground occupied by the broad mass of the British people. It acts as an umbrella grouping, with affiliates including the Tory Reform Group, the Conservative Group of Europe, and Parliamentary Mainstream.

Mainstream believes that the Conservative Party is at its best and most successful when it addresses the practical problems the British people face in their daily lives, and extends opportunity throughout society. Its publications and meetings are designed to help the formation of thoughtful and attractive Conservative policies.

## **PREFACE AND ACKNOWLEDGEMENTS**

West Sussex, among many other counties, has just been through the Boundary Commission Review mill. After the next election, my Chichester constituency will lose Petworth, one of the four main towns integral to it, largely as the inadvertent consequence of the creation of multi-member wards at District Council level.

This decision seemed an absurdity: Petworth has deep ties with Chichester. It led me to try to understand the Boundary Commission's rules. For this task I enlisted the help of Lewis Baston who alerted me to more serious deficiencies of the rules under which the Commission is obliged to operate. I would particularly like to thank him for his help with this paper. Oliver Heald MP, Archie Norman MP, a number of necessarily nameless Commons' Clerks and staff of the House of Commons library made a number of helpful suggestions. I would also like to thank Liz Bates, Ann Marsh and Tom Wortley for their help.

As the system became clearer to me, I have come to the conclusion that, if we are to have disruptive boundary changes, we should at least move towards the benefits of a smaller, more efficient House and fairer representation. This paper sets out the arguments for such reform.

The ground is well worn. The case for smaller parliaments is fashionable and I have been persuaded of it despite the fact that a thousand voices say so. Inaction by successive governments has two main causes. It is partly a consequence of technical obstacles to change, often Boundary Commission rules, and partly the result of the understandable self-interest of political parties and MPs. The paper tries to suggest means of dealing with both.

The views in this paper are my responsibility and do not necessarily reflect those of the Conservative Party.

## **FOREWORD**

The recent substantial vote against setting up an elected Regional Assembly in the North East of England had a number of clear messages for politicians who are prepared to listen. One of the clearest is that the people do not want more elected politicians. Whatever the nature of the “democratic deficit” which currently afflicts a number of institutions, the solution does not lie in more elected representatives.

In this paper Andrew Tyrie takes this argument further and argues that we already have too many politicians. Specifically, he thinks the House of Commons is too big. With characteristic intellectual rigour, he produces facts and figures to support his proposals for a smaller and better House, concentrating on what it should be doing.

With respect for democracy at such a low ebb, it is vital that practising politicians put forward well-informed and well-argued contributions to the debate about how to restore people’s faith in elective politics. Mainstream is delighted to publish Andrew Tyrie’s ideas on one key area of this debate.

Damian Green MP

Chairman, Parliamentary Mainstream

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# INTRODUCTION

## **Cutting Parliament down to size**

Britain has too many politicians. The number of Westminster constituencies should be reduced by about 20 per cent, in two tranches about a decade apart. At the same time, the remaining constituencies should be made of more equal size.

By slimming down parliament, and making sure that a vote is worth roughly the same throughout the United Kingdom, a modest contribution can be made towards restoring respect for politics and politicians. In the process, the cost of politics to the British taxpayer can be reduced by several tens of millions of pounds, stemming the sharp rise in the cost of elected politics since 1997.

Accomplishing this is not so difficult. It requires a specific reform and just a little boldness. First, the four Boundary Commissions for England, Scotland, Wales and Northern Ireland should be replaced by a single Commission for the United Kingdom as a whole, charged with the twin tasks of reducing the number of constituencies by 20 per cent, and with creating constituencies of equal size. The existing rules, which create an ever upward drift in the size of parliament, should be amended, or scrapped where appropriate, to accommodate these twin tasks.

Secondly, reform must be accompanied by political imagination. MPs will not queue up for extinction. A 20 per cent reduction means that over 120 MPs will see their seats disappear. On top of that, the accompanying boundary changes could mean mass re-selections and many losers, even before taking account of the reduced number of chairs to dance around. So MPs need some encouragement. The answer lies in more flexibility by political parties in the application of the re-selection rules, where boundaries are redrawn, a re-examination of retirement provisions and (in the absence of democratic reform of the Lords) life peerages for those affected who have given good Commons service.

The Electoral Commission will shortly assume responsibility for the Boundary Commissions.<sup>1</sup> The Commission will be able to issue guidance on the interpretation of the redistribution rules and to make recommendations for legislative change. This is an opportunity they must be given every encouragement to grasp.

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<sup>1</sup> This takes place under provisions of the Political Parties, Elections and Referendums Act 2000, after the completion of the current review of parliamentary constituencies. The Commission has already assumed responsibility for the Local Government Boundary Commission for England.

# CHAPTER 1

## **Two problems: too many MPs and unequal representation**

### **Too many MPs: (1) How many does parliament need?**

A contemporary parliament should:<sup>2</sup>

- 1 form and provide legitimacy for government;
- 2 legislate;
- 3 legitimise taxation and spending;
- 4 require the government to explain its actions by exercising powers of scrutiny;
- 5 perform a representative link between individual constituents and the executive.

The first of these is the most important. The best parliaments are those which contribute most to securing consent for government. In mature democracies they tend to owe more to political evolution than the reasoning and constructs of political scientists. Evolution and history has bequeathed us a House of 659.<sup>3</sup>

Nonetheless, it is difficult to argue that 659 people are required to form and legitimise a British government. In principle, any number that the electorate considers reasonable would, by definition, be

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<sup>2</sup> For an excellent examination of this see *Parliament under Pressure*, Peter Riddell, Orion 1997. See also the author's *Mr Blair's Poodle: an agenda for reviving the House of Commons*, Centre for Policy Studies, 2000.

<sup>3</sup> A House of Commons of 600-700 members has been with us for a very long time. Since the Great Reform Act of 1832 it has varied between 625 and 670 members, with the one exception of the 1918-45 parliament, which was first large (707 MPs), and then small (615) because of Irish independence. While the number of seats has changed only a little, there have been vast changes in the nature of society, the franchise, communications and the work done by parliament. There has never been a fundamental reassessment of how many legislators the country needs. Perhaps in a parliamentary democracy with as much continuity as Britain it can safely be avoided. If so, responding to the views of the electorate should be at a premium.

enough to secure consent. The evidence is that the electorate would welcome a reduction in the number of Westminster politicians.<sup>4</sup>

It needs to be considered whether, by reducing the available pool of MPs from which Ministers can be drawn, the quality of the ministerial team might be reduced. I doubt it but it is a moot point.

A related issue is the size of ministerial teams. There is a good case for reducing the number of Ministers, in parallel with a reduction in the Commons. Are 115 required to sustain an effective government? The case for such a large number has not been made. Indeed, the main case for it lies with party management, not efficient government, as a source of patronage for the leadership, not a source of better decisions or better explanation of them. The size of ministerial teams should reflect the tasks people expect of central government. In my view, the country would benefit from smaller government and much more devolution of power to local institutions, particularly individual schools and hospitals. A broadly *pro rata* reduction in the size of the payroll vote is therefore consistent with the logic of a reduced role for central government.

Everyone is agreed that the legislative process in parliament is substandard. Almost everyone is also agreed that this has nothing to do with the number of MPs who perform it. Reducing the number of MPs by 100 is unlikely to make any difference to scrutiny of legislation on the floor of the House. The lion's share of second reading debates takes place in a virtually empty chamber, anyway.

The future of effective scrutiny of the executive should lie increasingly with Committees and less on the floor of the House. Committees could be affected by a smaller House, at least in theory. The two main types are Standing and Select Committees.

Outwardly, Standing Committees may appear active because they are comparatively better attended. But this is usually because government whips need to sustain attendance in case the opposition call an unexpected division. Even this is of diminishing concern now that much Standing

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<sup>4</sup> For example, in October 2004, Yougov carried out an opinion poll for the Mail on Sunday, which asked people if they supported cutting the number of MPs by around 100 to 550: 58 per cent supported the change, 23 per cent opposed and 19 per cent didn't know. Similar, sometimes more emphatic, responses have been obtained on this question over many years. ([http://www.yougov.com/yougov\\_website/asp\\_besPollArchives/pdf/DBD040101010\\_2.pdf](http://www.yougov.com/yougov_website/asp_besPollArchives/pdf/DBD040101010_2.pdf)).

Committee work is programmed, as is business on the floor of the House. MPs who think that Standing Committees make a valuable contribution to the quality of legislation – there is always the odd exceptional Bill – are thin on the ground. Many MPs would argue that reducing the size of Standing Committees by 25 per cent does not go remotely far enough. Several academics and commentators have even suggested that Standing Committees are a scandal and could safely be scrapped.

It is on the Select Committee corridor that effective scrutiny of the executive by parliament will increasingly depend. Select Committees need not suffer from a smaller House. The current size of committees could probably be maintained with a smaller parliament, particularly if opposition parties gave higher priority to their work. A small reduction in the size of committees could also be considered. The *pro rata* reduction in the size of government and opposition front benches suggested above should also release more MPs for Select Committee work. Even a 20 per cent reduction in MPs' numbers should therefore not have much effect, although those with sub-committees, such as Treasury, might find themselves occasionally short-handed. The effectiveness of Select Committees depends far more on targeting their enquiries effectively than on the availability of a particular number of MPs.

Parliament makes a slightly better job of legitimising taxation, not so much *ex ante*, in its examination of the Budget and the Finance Bill, but *ex post*. The work of the Public Accounts Committee, and its use and supervision of scrutiny by the National Audit Office, is one of the most important, and more competently executed, functions of parliamentarians today. Reducing the size of the House by 20 per cent should not make any difference to the quality of the Committee's performance.

Overall, scrutiny of the executive would be unlikely to decline if performed by a smaller House. The quality of current scrutiny activity is limited not by the number of MPs performing it, but by the determination of the executive to prevent them. Anecdotal evidence about MPs' work at Westminster is relevant here. It is understood that Labour MPs are encouraged by their Whips to stay away from Westminster and to take "constituency days" rather than participate in the House's activity. By implication there is simply not enough for them to do, or not enough that the Whips would wish them to do, at Westminster. Executive obstruction also explains why Select Committee

reports so frequently are ignored and why written parliamentary questions so often fail to produce an informative answer.<sup>5</sup>

So far, the reader might conclude that MPs are sitting around doing nothing. Quite the opposite. Over the past 30 years MPs have found themselves in a new constitutional role – that of local Ombudsmen. MPs spend far more time on their constituency work than ever before, writing letters<sup>6</sup> and engaging in a good deal of work formerly the preserve of local councillors. Half a century ago quarterly visits to the constituency could be considered diligent. These days the majority of MPs work hard in their constituencies every weekend.

Could this new job be performed by fewer MPs? The short answer is that the correspondence, and other Ombudsman-style demands, are unlikely to diminish. Nor is it necessarily a good thing that they should. Indeed, the best case for retention of the current number of MPs can be made by reference to the growth of the MP's new job.

The increased contact between MPs and their constituents can play a valuable constitutional role in a democracy. It belies so much talk about the rise of apathy, cynicism and disengagement by the electorate towards politicians. It is a reflection of the contrast between the low esteem in which politicians as a class are held and the rather higher esteem in which constituents often appear to hold their particular MP. The recent decline in voter turnout is not necessarily inconsistent with this, a product of the electorate's belief in 2001 that the result was a foregone conclusion. In 1992 it was not. The Parties were also offering radically different agendas. The electorate sensed that there was a clear choice to be made: turnout was one of the highest in British electoral history.

Is it the direct personal contact with MPs which the electorate demand or is it a service which an efficient MP, supported by his

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<sup>5</sup> In any case, the Written Answer system is no longer necessarily the most effective means of obtaining information. Writing a letter often elicits more and leaves the MP free of the curious, perhaps otiose, Tabling rules. The Freedom of Information Act will erode the privileged access of MPs to information.

<sup>6</sup> In the 1950s, MPs were still receiving only 10 to 15 letters a week. In the 1960s, this had risen to between 25 and 74 letters a week. According to Parliament's postmaster there was a four-fold increase in mail between 1964 and 1997, implying incoming correspondence for some MPs of as much as 300 letters per week. Derived from *Representing the People? MPs and constituency work*, Greg Power, Fabian Society, October 1998. I receive an average of nearly 300 a week: it is on a rising trend.

office, can provide? If the former, a reduction in MP numbers might be imprudent. Indeed, it would imply the need for an increase, at least in line with the growth in the electoral population.<sup>7</sup> If the latter, a reduction should be acceptable.

The evidence is that the electorate are not asking to meet their MPs – the demand for face to face meetings in surgeries is, if anything, in decline. However, they are demanding the services of MPs in helping them deal with public bodies – councils, the CSA, benefit offices, the police – where decisions appear arbitrary or mistaken. Furthermore, the refrain, particularly from some senior MPs, that much of this work should be left with local councillors, is only partly true. Many of the decisions of local and regional institutions have been forced on them by central government. Constituents are therefore correct to alert MPs to the consequences.

Arguably, MPs should be able to cope with the increase in the caseload which would accompany a reduction in their number. But, if fewer MPs are to do the same amount of work, they may need larger staffs. This is the route that all other major parliaments have taken. US Congressmen have roughly seven times the staff of MPs – they represent roughly seven times as many people.<sup>8</sup> If the number of MPs is to be reduced by, say, 20 per cent the secretarial allowances of the MPs that remain may need to be increased commensurately.<sup>9</sup> At the same time, firm rules will need to be kept in place to ensure that allowances do not merely bolster incumbency by funding re-election campaigns. The current rules, in my view, are already stretched to acceptable limits, perhaps beyond.

The main case for a smaller House has already been simply stated: the electorate does not see the need for so many MPs, and they are probably right. Other arguments are often heard for a smaller House.

First, there is the cost of parliament. This is a good argument. Estimates of cost savings are set out on page 28. These take account of the need for the remaining MPs to be provided with extra support staff.

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<sup>7</sup> The UK electorate for the 1955 General Election was 34,852,000; by the 2001 General Election it had increased to 44,403,000.

<sup>8</sup> Members of the House of Representatives represent districts with an average population of 647,000 employing an average 17 members of staff. MPs represent constituencies with an average population of 89,200, an average 2½ full time staff, or equivalent.

<sup>9</sup> Even in the absence of any other reform, secretarial allowances could reasonably be aligned more directly with the number of constituents each MP represents.

The electorate are right to be concerned by the burgeoning cost of electoral and democratic politics. The cost of the Commons has risen from £182 million to £280.1 million since 1997. It has to be recognised that the £25 million or so saved by a 20 per cent reduction in the number of MPs makes only a small contribution to arresting this trend. Nonetheless, it would send a clear signal. The Commons can and should act as a beacon for other parts of the democratic process.

Opportunities for savings may also come with a reduction in the number of Ministers discussed above. District and County Councils could probably also manage with fewer elected members. Proposals for an additional tier of regional government should be scrapped. This was the clear message of the North East's referendum, one of the most startling democratic results in British politics for many years.

The full cost of democratic and electoral politics – the cost of running the Commons, Britain's share of the European Parliament, the Scottish Parliament, the Welsh Assembly, and local government – has risen sharply in recent years. A preliminary estimate, set out in the Appendix, suggests that the cost of democratic politics in Britain has risen from about £720 million in 1997 to £1.3 billion in 2004 – excluding the capital start up costs of the new assemblies. This huge rise is not easy to justify.

Part of the reason that trust in politicians has been eroded is the growing cost of electoral and democratic politics. Ironically, some of this extra cost has been generated by initiatives intended to restore trust, such as the Parliamentary Commissioner for Standards, the Committee on Standards in Public Life and the creation of the Electoral Commission. Yet reforms that probably would restore trust – for example, removing the link between political parties and business and the unions, and reducing the number of politicians – have not.<sup>10</sup>

A second argument for a small House has come with the creation of a Scottish Parliament and a Welsh Assembly. It carries a clear implication of the need for fewer MPs, since most large federal countries have small federal legislatures. Some international comparisons are examined on page 13.

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<sup>10</sup> I argued for a ban on large donations to political parties, whether by individuals, companies or trade unions in 'Our politics is healthy. Our party finances stink' in *Strong Parties Clean Politics*, New Politics Network discussion paper, March 2003.

Thirdly, there are some lesser, practical points in favour of a reduction. A smaller House might also bring the Commons chamber nearer the point where it could seat everyone simultaneously. Such a House would also probably be more collegial. The floor of the current House is designed to seat only 350.<sup>11</sup> Most other parliaments around the world have taken the step of providing an allocated chair for each MP, and often a desk or table on which to write. No doubt replacing the current chapel design (itself three times re-constructed, by Wren, by Pugin after the fire in 1834 and under Churchill's scrutiny after serious war damage in 1941<sup>12</sup>) would be several bridges too far for many of my colleagues, and I would want to mull it over myself. If a redesign discouraged the shouting matches and other behaviour which the electorate finds so unappealing, it would have something to commend it. On the other hand, continuity and familiarity in a democracy should not lightly be set aside.

All the arguments – cost, devolution, more collegiality and efficiency, amongst others – count for something but ultimately they are secondary. Only one argument really matters. Parliament needs to respond to the electorate. Of course, the electorate want to have their cake and eat it. They are increasingly critical of the way that parliament works, often rightly. They think that there are too many politicians. Cutting the size of parliament could form a small but important part of the reforms needed to demonstrate responsiveness to their criticisms. Yet the electorate also make increasing demands on their constituency MPs. These views cannot be fully reconciled but some reduction should be possible without imperilling the remaining MPs' ability to respond to the growing demands of the electorate at local level. The time has come to do it.

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<sup>11</sup> According to Erskine May, 23rd edition, p205.

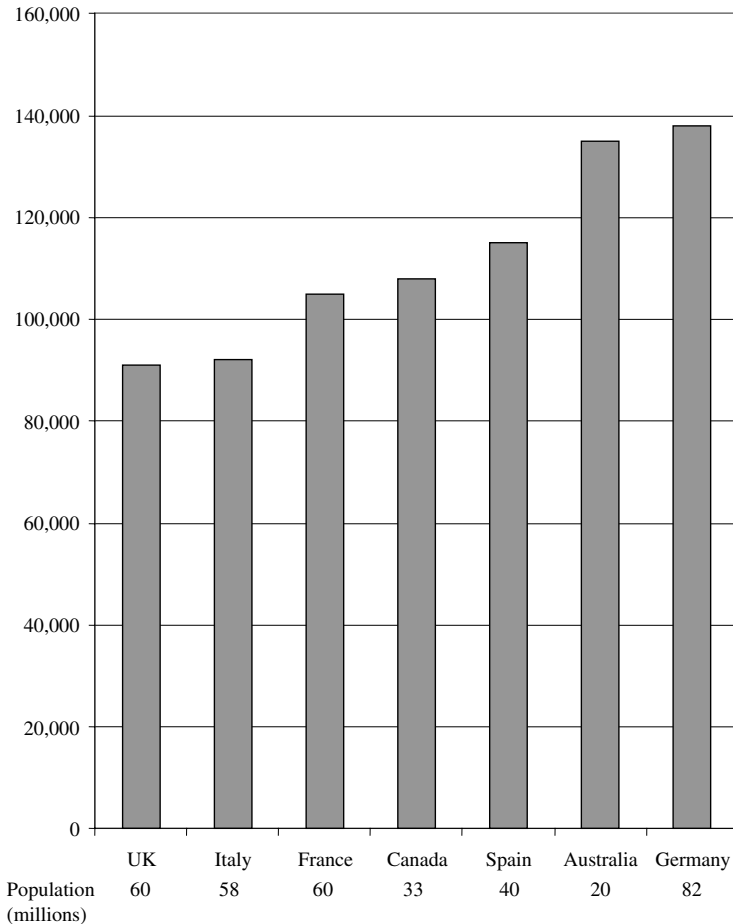
<sup>12</sup> Churchill told the House, “if the House is big enough to contain all its Members, nine-tenths of the debates will be conducted in the depressing atmosphere of an almost empty or half-empty chamber... We wish to see our Parliament as a strong, easy, flexible instrument of free debate. For this purpose a small chamber and a sense of intimacy are indispensable... We shape our buildings, and afterwards our buildings shape us.” *How Parliament Works*, Fifth Edition, Rogers R and Walters R, Pearson Longman, 2004.

The contrary view also has powerful adherents: “Why are we squeezed into so small a space that it is absolutely impossible that there should be calm and regular discussion, even from that circumstance alone? Why do we live in this hubbub? Why are we exposed to all these inconveniences? Why are 658 of us crammed into a space that allows to each of us no more than a foot and a half square . . . ?” William Cobbett, quoted in *The Great Palace; the story of Parliament*, Christopher Jones, BBC 1983.

## Too many MPs: (2) International comparisons

Other parliaments do not necessarily do things better, but continental and international comparisons may have something to offer. It is relevant that, among advanced democracies of a roughly similar size, Britain has the most legislators per head of population. Even a 10 per cent cut in the size of the House of Commons (taking the number of MPs down to a little below 600) would leave Britain relatively overstocked with MPs, with about 100,000 people per legislator.

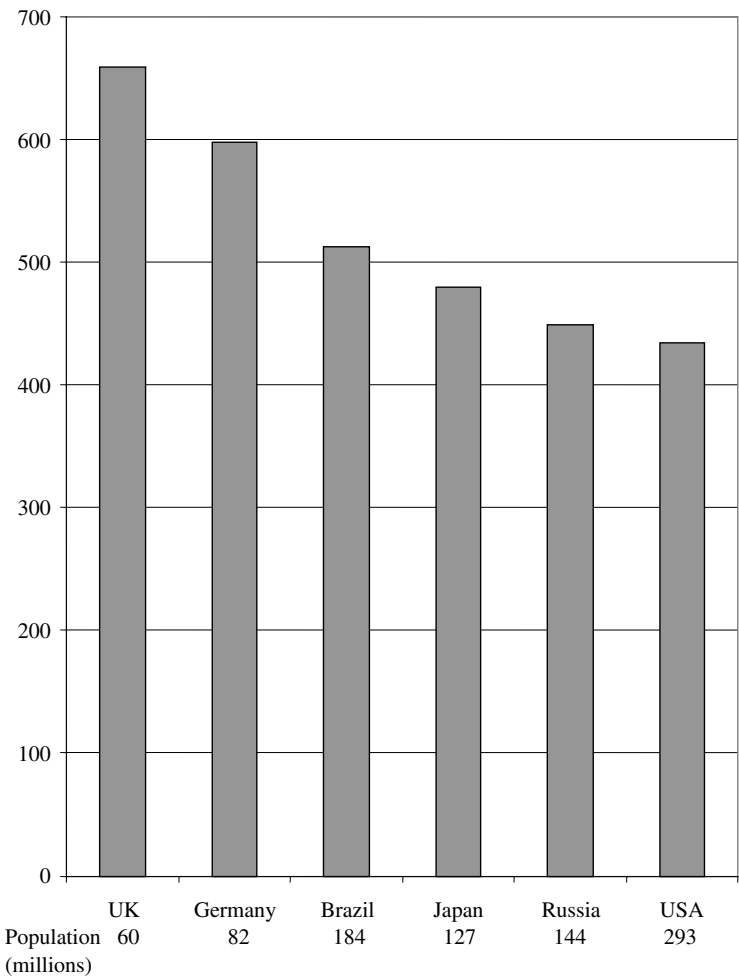
**Population per legislator**



Source of population figures: Central Intelligence Agency website.

The UK House of Commons, with 659 members, is also among the world's largest legislative bodies in absolute terms. Countries with much larger populations get by with fewer members of their principal legislative chambers. Of course, no comparisons are entirely fair – several of these countries are federal, with large state legislatures, and the role and composition of upper houses varies hugely.

### Number of legislators in Lower House



Source of population numbers: Central Intelligence Agency website.

## Unequal representation

If the case, in principle, for a smaller House is accepted then we must also accept the disruption that would come with implementing it. And if we are to have the disruption that would come with the boundary changes we should take the opportunity to ensure more equal representation. For the main argument against requiring more equal representation has always been the disruption it would cause.

There is a good deal of inequality to address. Votes in different parts of the UK have widely different values. While constituencies are supposed to be more or less the same size, in practice they are not. It is surprising that such unfairness has been tolerated for so long. Although reforms in Scotland will remove some of the worst anomalies, many others will remain. The average size of an English constituency in 2001 was 69,928 electors, and in Northern Ireland 66,167<sup>13</sup> electors, while the average size of a Welsh constituency was 55,904. If Wales were put on a par with England, it would have 32 seats, a drop of 8 from current levels and 3 below its current legal minimum of 35 seats.

Even within England, there are big variations. The current Commission's review proposes, and therefore accepts, constituencies of widely different sizes, from Hackney South and Shoreditch (57,204) to Banbury (78,817) and the Isle of Wight (103,480). Some of the variations are caused by the decision not to allow parliamentary seats to cross county boundaries. If more equally sized constituencies are to be created, in a small number of cases this rule will have to be relaxed.

Worse still, the electoral map is out of date, usually by about a decade, before it is ever used. In England, the use of obsolete electoral data is responsible for the most egregious anomalies. The current constituencies are based on the electorate figures from 1991, and the next review – based on electorate figures from 2000 – will probably not come into force until 2009. The current Banbury seat, for instance, was very close to the desired size, based on 1991 figures, but at its first electoral outing in 1997 was nearly 8,000 voters too large, over 10 per cent off target. By 2001, it

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<sup>13</sup> Northern Ireland's representation increased from 12 to 17 seats in 1982 (18 seats in 1995) to compensate for the abolition of Stormont. If devolution is entrenched many will call for a reversion to 12 seats. The pre-1980s under-representation originated, in the 1920 Government of Ireland Act, as a rough *quid pro quo* for the creation of Stormont.

had added another 7,000 to produce a seat of 84,371 voters, 20 per cent off target. In 2003, it had grown to 86,510. By contrast, Sheffield Brightside began again not too far off the right size in 1991 at 64,000, but by 1997 its electorate was just under 59,000 and in 2003 it was the smallest in England, scraping in at just over 51,000.

Inequality of representation is unfair to electors. It is also unfair between parties. Labour benefits from the over-representation of Wales (and, until the next election, Scotland) and from urban areas of declining population. The 2003 electorate of the seats Labour won in 2001 averaged 64,936, while for Conservative seats it was 72,814. Even restricting the analysis to England, Labour seats had 67,991 electors on average, while Conservative seats had 72,939 electors.

## CHAPTER 2

### The Rules in detail – and what’s wrong with them

#### The Rules

Sorting all this out requires a close look at the rules. The current rules are set out in the Parliamentary Constituencies Act 1986, to which they were appended as Schedule 2. These are:

- Rule 1. (1) The number of constituencies in Great Britain shall not be substantially greater or less than 613.
- (2) The number of constituencies in Scotland shall not be less than 71. (Repealed - by the Scotland Act 1998.)
- (3) The number of constituencies in Wales shall not be less than 35
- (4) The number of constituencies in Northern Ireland shall not be greater than 18 or less than 16, and shall be 17 unless it appears to the Boundary Commission for Northern Ireland that Northern Ireland should for the time being be divided into 16 or (as the case may be) into 18 constituencies.
- Rule 2. Every constituency shall return a single member.
- Rule 3. There shall continue to be a constituency which shall include the whole of the City of London and the name of which shall refer to the City of London.
- 3A. A constituency which includes the Orkney Islands or the Shetland Islands shall not include the whole or part of a local government area other than the Orkney Islands or the Shetland Islands.
- Rule 4. (1) So far as is practicable having regard to rules 1 to 3 -
- (a) in England and Wales, -
- (i) no county or any part of a county shall be included in a constituency which includes the whole or part of any other county or the whole or part of a London borough,
- (ii) no London borough or any part of a London borough shall be included in a constituency which includes the whole or part of any other London borough,
- (b) in Scotland, regard shall be had to the boundaries of local authority areas,
- (c) in Northern Ireland, no ward shall be included partly in one constituency and partly in another.
- (1A) In sub-paragraph (1)(a) above “county” means, in relation to Wales, a preserved county as defined by Section 64 of the Local Government (Wales) Act 1994.
- (2) In sub-paragraph (1)(b) above “area” and “local authority” have the same meanings as in the Local Government (Scotland) Act 1973.
- Rule 5. The electorate of any constituency shall be as near the electoral quota as is practicable having regard to rules 1 to 4; and a Boundary Commission may depart from the strict application of rule 4 if it appears to them that a departure is desirable to avoid an excessive

disparity between the electorate of any constituency and the electoral quota, or between the electorate of any constituency and that of neighbouring constituencies in the part of the United Kingdom with which they are concerned.

Rule 6. A Boundary Commission may depart from the strict application of rules 4 and 5 if special geographical considerations, including in particular the size, shape and accessibility of a constituency, appear to them to render a departure desirable.

Rule 7. It shall not be the duty of a Boundary Commission to aim at giving full effect in all circumstances to the above rules, but they shall take account so far as they reasonably can -

- (a) of the inconveniences attendant on alterations of constituencies other than alterations made for the purposes of rule 4, and
- (b) of any local ties which would be broken by such alterations.

## What's wrong with the rules?

The rules may look reasonable enough. In practice, they are bad news. Taken together, they create an upward drift in the number of constituencies at each review, and they force the Boundary Commissions more or less to ignore Rule I, which is supposed to cap the size of the Commons.

## The ratchet

Several of the rules interact to produce the 'ratchet effect'. Since the current system of boundary determination came into force, there has been a steady upward trend.

1950-55	625	Major redistribution by Act of Parliament in 1948
1955-74	630	First Boundary Commission review (1952-54). After this the rules were rewritten to reduce the frequency of reviews.
1974-83	635	Second Boundary Commission review (1965-69) report published in 1969 but implementation delayed until after 1970 election.
1983-92	650	Third Boundary Commission review (1976-82)
1992-97	651	Interim review of Milton Keynes (1990)
1997-2005/6	659	Fourth Boundary Commission review (1991-95)
2005/6-2010/11	646	Reduction of Scottish representation
2010/11	c.651	Fifth Boundary Commission review (2000-06)

The main cause of the ratchet is the *quota* (the ideal average size for a constituency), established at the outset of a boundary review. This figure is all-important in determining how the review operates. At present separate quotas are determined for each of the four nations of the UK. The quota is derived by dividing the total electorate at the start of the review by the existing number of constituencies. In the current review this produced a quota of 69,934 in England.

The quota is used to determine the ‘theoretical entitlement’ of a county or other area to seats. For instance, the electorate in Hertfordshire was 773,593, which gives an entitlement of 11.06 seats, which rounds down neatly to 11. However, using the quota as a basis for the number of seats does not mean that the outcome of the new review will necessarily result in keeping that same number of seats. This is for three reasons.

First, Rule 6 allows extra seats because of ‘special geographical considerations’, creating seats smaller than the strict arithmetic would allow in some areas. These are built in to the divisor of the quota, making the quota smaller than it would otherwise be.

Secondly, Rule 5 prescribes that seats should be as close as practicable to the quota. This means that something called the ‘harmonic mean’ must be used, rather than the arithmetic mean. If, for instance, an area is entitled to 2.41 seats, should it get 2 or 3, with rounding? The answer is 3. If the area has an entitlement of 2.40, one can create 2 seats of 1.20, or three seats of 0.80, which as far as the rules are concerned are just as good as each other. Above 2.40, Rule 5 clearly states that 3 is better than 2. Rounding up more often than rounding down increases the overall number of seats.<sup>14</sup>

Thirdly, Rule 7 creates a presumption against change and ‘disruption’. This makes it more likely that areas whose entitlement has fallen slightly below their current representation can resist change.

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<sup>14</sup> When I discovered this my first thought was to use the arithmetic rather than harmonic mean, i.e. round 2.49 down to 2, and round 2.50 up to 3. In practice, the Commission have done this in several cases including (in this review) Oxfordshire. However, the arithmetic mean produces more anomalies and inequalities than the harmonic mean and can result in constituencies being much too large. If a place with an entitlement to 2.49 is rounded down, the deviation from the correct size is 24.5 per cent; rounded up, the deviation is 17 per cent.

In all this, Rule 1, which appears to fix the size of the House, is in practice interpreted out of existence. What does ‘substantially’ mean, if 641 is not ‘substantially’ more than 613? The excess is 4.6 per cent. As it happens, in the last couple of reviews the Commission has plucked a figure from the air and established its own definition of what is substantially more: a deviation of 31, or 5 per cent.<sup>15</sup>

Worse still, the reduction of numbers in Scotland now allows the creation of more seats in England, without offending against the ‘substantially more than 613’ reference in Rule 1. Therefore, the 5 per cent ‘constraint’ might be no constraint at all. Wales has its own unique problems – see page 24.

Of course, a certain amount of mathematical and statistical complexity is inherent in drawing up boundaries, but the current rules are not good enough. They are difficult even for those with a direct stake in the matter to understand. Rules 5, 6 and 7 create upward pressure on numbers, which subverts the intention of Rule 1. Rule 4, strictly applied, would make observing Rule 5 impossible. More or less anything can be smuggled in under the heading of Rule 7, as ‘inconvenience’ and ‘local ties’ are vague concepts.

The confusion inherent in the rules also adds to the scope for the parties each to dress up schemes that give them an advantage, claiming that they reflect local ties. It is inevitable that parties should seek advantage in their submissions to inquiries – they would be perverse if they did not. But the scope for discretion provided is too large.

In the fog of the qualifications aimed at respecting local ties, geography, special circumstances and the like, the main purpose of the Boundary Commissions is being lost: creating seats of equal size and keeping the numbers from rising. It is time to sort this out, reduce the size of the Commons and make seat sizes more equal. Chapters 3 and 4 suggest how this can be accomplished.

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<sup>15</sup> See the Fourth review of the Boundary Commission.

## CHAPTER 3

### **Too many MPs: the solution**

The Boundary Commission should be set the task of reducing the number of MPs. At each of the next two reviews it should be required to reduce the number of constituencies by, say, 10 per cent, bringing the total number of MPs down to around 600 at the first review and below 550 at the next. These reviews should take place at 10-year intervals. After the second reduction the question should be re-examined and the case for further reductions considered.

If the problem is not to re-emerge the ratchet also has to go. This can be accomplished in several ways. One would be to introduce a fixed divisor, that is, a fixed number of seats for parliament which the Commission could not alter in the light of special circumstances. Another would be to create ‘a reverse escalator’, of which more below. Both mean a change in the calculation of the electoral quota. There are, no doubt, other methods.

These are technical issues. The one certainty is that it is possible to solve them. Those who are confident of this can safely turn to Chapter 4.

#### **A fixed divisor?**

The House of Commons Home Affairs Select Committee recommended in 1987<sup>16</sup> that the present system of determining the electoral quota should be replaced by a fixed divisor. They proposed that this should be 515 for England, 36 for Wales, 66 for Scotland and 17 for Northern Ireland.

The Boundary Commission would have no administrative problems with operating a fixed divisor for the whole of the UK. The Home Office produced an unconvincing argument against fixed divisors in response to the Select Committee, arguing correctly<sup>17</sup> that it would not always

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<sup>16</sup> House of Commons Home Affairs Select Committee (1986-7) *Redistribution of Seats*.

<sup>17</sup> Small variations would continue to be caused by the operation of rounding and the harmonic mean, and any get-outs for geographical reasons, but the scale would be inconsequential compared to the current situation. The government response was published as *Redistribution of Seats – Government Response* (1988), Cmnd. 308.

produce the same number of seats, but incorrectly that slight fluctuations around a fixed point were somehow worse than a gradual increase.

Once one has decided that a certain number of MPs is desirable for the House of Commons, there seem to be no good arguments against a fixed UK divisor. The current Rule 1 seems to create an implicit target of 630. The only rational reason not to have a fixed divisor would be a preference for gradualism, that it would be better to produce change over a period longer than a single review. Downward escalators could do that job.

### **An escalator clause?**

Another possibility would be to insert a downward escalator clause into the calculation of the quota. Instead of the existing allocation, the divisor could be based on the allocation *less* a certain number. This could only be practicable with a single UK quota. To reduce the Commons gently to 600 MPs would require a couple of rounds with a 35-40 reducing factor, or one more drastic change of 65-70. The escalator clause could be left to achieve a long-term gradual reduction even below 550. It could also be calibrated so as more or less to cancel out the upward creep of the ratchet. Its advantage in relation to the fixed divisor is that it can produce a gradual, automatic fall rather than a single painful adjustment.

## CHAPTER 4

### **Unequal representation: the solutions**

Two steps can ensure equality of representation: first, the creation of a single Parliamentary Boundary Commission for the UK as a whole; secondly the removal of most of the discretion which means that the Boundary Commissions fail to create equal sized constituencies. A third improvement – speeding up the whole boundary review process and using better population data – would also help.

#### **1. A United Kingdom Parliamentary Boundary Commission**

The 1998 Jenkins report on the electoral system recommended (para 164):

that any changes to the Boundary Commissions' criteria have regard to the need to correct sources of bias, for example, by moving to the use of a single electoral quota for the United Kingdom as a whole.

Lord Jenkins was right. Furthermore, unless the Commissions are unified, the Scottish overrepresentation is likely to re-emerge. This is because in 1998 the government did not adopt either of the permanent solutions to capping the rise in the number of constituencies suggested in Chapter 3. They created neither a fixed divisor, nor a downward escalator. They simply took the English quota at the time (69,934), and applied it to Scotland.

Over time, the Scots will again be overrepresented. The discretion in the existing rules is very likely to give the Scots more seats than England. Even before the creation of the Scottish Parliament this would have been unacceptable. Given the current unfairnesses of the West Lothian question, and much higher government spending on public services in Scotland than in England, it would now be outrageous. So something must be done.

The most straightforward solution must be to abolish the four existing Boundary Commissions for England, Wales, Scotland and Northern Ireland and replace them with one Boundary Commission, operating

according to a single set of rules and interpreting them uniformly.<sup>18</sup> And the most important rule should be one requiring constituencies with an equal number of voters.

## **2. Instructing the Commission to create equal sized constituencies**

The main task of any Boundary Commission should be to maintain seats at roughly equal size. Those of the UK seem to have lost their way a little. The four UK Boundary Commissions tolerate deviations of 20 per cent either side of the quota, compared to 10 per cent in Australia, 5 per cent in New Zealand and less than 1 per cent in the US.

20 per cent is too large. The Commission should be set a firm rule, from which there should be no discretion or exceptions, that no constituency is permitted to deviate from the national quota by more than 5 per cent. This would create constituencies varying in size between about 66,000 to 73,000 electors, prior to a 20 per cent reduction in the House, or about 79,000 to about 88,000 after it.

It is argued that wider variations are necessary to preserve communities, but in practice large deviations from quota do not usually serve this purpose. They are mostly the products of arbitrary arithmetic. Rule 4 is the culprit. This restricts the Commission to looking at constituencies county by county. Only serious anomalies (small unitaries and some London boroughs which have the same status as counties) can be considered for exceptional treatment. In cities the policy of not crossing ward boundaries also creates very unequal seats.

The position in Wales is particularly nonsensical. The Boundary Commission for Wales states that ‘the review areas to be used during the fifth general review are the preserved counties as amended by the Preserved Counties (Amendments to Boundaries) (Wales) Order 2003.’ The ‘preserved counties’ existed before local government reforms in 1995, and bear little relation to local identities or any

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<sup>18</sup> The current arrangements do not have deep constitutional roots. Four separate permanent Commissions were established as a result of a political compromise in 1944. Prior to that, they were set up *ad hoc*, when parliament decided redistribution was necessary. In 1866/7 and 1918 there were three Commissions (England & Wales, Scotland, Ireland).

current local government structure. These phantom entities are even, as the 2003 order states, subject to their own strange reviews of the boundaries between them.

### **What are the answers?**

First, Rule 6 - 'special geographical considerations' - should be abolished. It can reasonably be taken to apply to very few constituencies, although many attempt to argue that it should be given wider application. The constituency of Kalgoorlie, Western Australia, comprises 2.3 million square kilometres, about the size of Western Europe, from mining towns to remote forests and plains separated by 2,000 miles of desert. It is represented by a single MP and has a standard number of electors. If Kalgoorlie can manage, so can western Cumbria. The principle of equal representation is too important to be compromised by get-outs such as Rule 6.

Secondly, the new UK Commission should explicitly be allowed to take a more flexible approach to borough, unitary and county boundaries in order to produce constituencies that are much closer to the size specified by the quota. This discretion should be applied most readily to boroughs and, as a last resort, to counties. It could follow the 'pairing' system used in the London Boroughs in the last two reviews, which departed from the strict application of Rule 4. As in London, pairing would not take place routinely, but only in cases where it was essential to achieve acceptable equality of representation. The current discretion is fettered by the need to follow local government boundaries 'so far as is practicable.' An alternative is provided by the Boundary Commission for Scotland which is obliged only 'to have regard to' local authority boundaries, unlike England, where the presumption is much stronger. The Scottish rule could simply be applied in England and Wales. There remains a strong case, if the rules on drawing cross-county constituencies are relaxed to some degree, for specifying that the Scottish and Welsh national borders, and English regional boundaries, should not be crossed.

Thirdly, it is necessary to re-examine the building blocks that make up constituencies – local authority wards. Wards vary greatly in size, between different authorities, and even within the same authority. The largest ward

in the country (Birmingham, South Yardley) has an electorate of 19,567 while five of Rutland's sixteen wards have fewer than 1,000 electors. Using wards as large as those in Birmingham, and many other cities, creates unequally sized constituencies. It can also result in unpopular decisions.

The move to multi-member wards in rural districts has introduced this problem to new areas, including mine. The tail is wagging the dog. Wards are designed for the convenience of local authorities, not parliamentary constituencies. The inadvertent consequence is that ward boundary reviews are forcing the redesign of parliamentary seats. This is absurd.

There are at least two possible ways forward. The Parliamentary Boundary Commission could be allowed to draw lines where it wishes in the interests of equality. If a divided ward is perceived as bad, the local government ward boundaries should be redrawn to fit the parliamentary template, not vice versa. If allowing the Commission discretion to cross ward boundaries were considered too shocking, it would be possible to designate ward subdivisions for these purposes. Large wards usually have fairly clear internal dividing lines. In most rural areas this should be relatively straightforward. A template for subdivisions often exists with parish boundaries and, in any case, the multi-member wards which have exacerbated the Boundary Commission's difficulties – leading to absurd decisions – are a novelty in many areas. In urban areas, the use of ward subdivisions is arguably more problematic. Nonetheless, this nettle will need to be grasped if council ward boundaries are not to get in the way of the bigger prize of national electoral equality.

### **3. Up-to-date electorate figures and a faster timetable**

As things stand, the boundaries are often four or five years out of date before they even become provisional recommendations, and up to a decade out of date when first used. This is because the Commission is obliged to work from a single 'enumeration date'<sup>19</sup>. Therefore, when the Commission produces new provisional recommendations, the calculations are based on the distribution of population as it stood in 2000. Only at the margins, when choosing between one scheme or

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<sup>19</sup> The basis of the entire review is the state of affairs on the date on which the review is announced in the official *London Gazette*.

another that is permissible under the Rules, can it consider any growth of the electorate that may have taken place during the review period.

The Rules need to be changed. The Boundary Commission should be given the statutory power to take account of projections of population changes. Population projections can never be wholly reliable, and they should not be used as reasons to make radical departures from the data. But discretion to take them into account, when deciding on a county's allocation where it is near the cut-off point, or in assessing permissible departures from the quota, would be sensible. In any case, population projections up to five years in the future are already permitted in ward boundary reviews, but not in parliamentary reviews. It should be possible to use an estimate of electorates two or more years from the start of the review as the basis for allocation.

Another source of delay is procedural. The Deputy Chairmen of the Boundary Commissions are High Court Judges. They are not always available when needed, slowing the whole process. The Lord Chief Justice needs to be encouraged to show more flexibility in releasing judges for this work.

A faster timetable for the whole exercise would reduce the scale of these anomalies. The gaps between the enumeration date, conclusion of the boundary review and the first use (let alone last use) of the new boundaries have always been long. The table illustrates this:

### **Time between Boundary Reviews and their use since 1953**

	Enumeration date	Review concluded	First use	Last use
First review	1953	1954	1955	1970
Second review	1965	1969	1974	1979
Third review	1976	1982	1983	1992
Fourth review	1991	1995	1997	2005/6
Fifth review	2000	2005/6	2009/10/11	

Source: Compiled from the Boundary Commission General Notes.

## The cost savings

A reasonable estimate of the savings to the taxpayer of a 20 per cent reduction in the House of Commons is at least £25 million. This is made up of about £15 million in savings to MPs' pay (and some allowances, see below) and about £10 million saved from a reduction in the administration costs of running the House of Commons.

The total bill for Members' pay and allowances (in 2002-03) was £131 million, implying a saving of £26 million, but not all of this could be saved, as the remaining MPs would still need to do the departing MPs' case-work. On the assumption that the remaining MPs needed the staff currently employed by the departing 20 per cent in order to do their case-work<sup>20</sup>, the saving would still be at least £15 million.

A reduction in the number of MPs would also generate savings in House of Commons administration, on which nearly £140 million per annum is spent at the moment. Many of these costs are fixed: buildings maintenance, security etc. Others clearly vary with the number of MPs: catering, travel etc. Capital costs would also be lower. Even if it were assumed that only a third of the saving implied by a *pro rata* reduction in the administration budget was captured, a 20 per cent reduction in the size of the House should yield nearly £10 million.

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<sup>20</sup> This might not be necessary. Some MPs already have seats of the size that would become the norm if the number of MPs were reduced by 20 per cent, and they do not benefit from higher allowances than their colleagues with smaller constituencies.

## CHAPTER 5

### **Mustering parliamentary support**

Reducing the size of the Commons will be popular. It will be logical. It will save money. But any such proposal will meet the obstacle of party and personal interest. No rational party rushes to weaken its electoral position nor do MPs rush to bring their careers to a premature end.

Furthermore, it should be borne in mind that a reduction in the House will affect far more than just the 50 or 60 MPs whose seats will disappear in each of the two 10 per cent reductions suggested in this paper. Many others would also be displaced by re-selections triggered by boundary changes. Re-selection is always something of a lottery, even for experienced politicians. Nor is there any reasonable way for parties to match displaced MPs with retirement vacancies. Many high quality MPs would inevitably be casualties.

Three proposals would assuage these problems.

First, the major political parties should be encouraged to change their own internal rules to reduce the number of re-selections as a consequence of boundary changes, at least for the two Boundary Reviews in which the major reductions take place. At the moment, Conservative Central Office advises Associations that an open selection process should be held where boundary changes affect more than 20 per cent of the constituency electorate. This could reasonably be raised to at least 30 per cent. It could go even higher, particularly if there are no adjacent seats with fellow incumbents similarly affected.

The Labour Party's rules are apparently already more flexible. In the last major boundary changes (1992-1997) Labour MPs were given first choice of where to stand in the new constituencies. The relevant NEC rule states that, where "a significant proportion" of a seat is affected, a re-selection takes place, with the sitting MP automatically placed on the short list. However, if a majority of the affected branches and affiliated trades unions have no objection (a decision taken by majority) no re-selection is triggered. Despite these flexible rules there were a few cases of dispute, occurring mainly where MPs

for a marginal seat lost a small but highly supportive area to a neighbouring seat, and picked up some ‘bad’ areas in exchange.

More flexibility to enable MPs to retain seats heavily affected by boundary reviews would probably be a prerequisite for the garnering of the necessary support. Flexibility would also reduce the turnover in the Commons, worth something as a counterweight to the discontinuity which would accompany the proposed 20 per cent reduction.

Secondly, those who lose their seats and who have given service to the House, or to the Executive, could be considered for life peerages. Among other categories this might include former Ministers, Select Committee Chairmen and Privy Councillors. Despite many claims to the contrary, the power of Prime Ministerial patronage with respect to peerages is unaltered and, in the absence of comprehensive democratic reform of the Lords, there would be no bar to a couple of bumper Lords appointments.

The life peerage proposal involves some extra cost in the short run. But this would be dwarfed by the savings generated from a smaller Commons over the longer term. Any increase in the size of the Lords would be temporary, but the reduction in the size of the Commons would be permanent.

Opponents might quibble that two such bumper crops could diminish or demean the Lords. In the light of the Prime Minister’s unprecedented packing of the Lords<sup>21</sup>, and his creation of committees of a handful of existing peers empowered to grant peerages to fellow hereditaries, this would be a tall order<sup>22</sup>. Better to have MPs in the Lords who have at least once had an acquaintance with the electorate than some people whose main contribution appears to have been to write cheques in the hope of the ermine. Were a more democratic second chamber to be created – the policy of the Conservative and Liberal parties and one which the author strongly supports – appointment to the Lords of the displaced MPs might have to be re-examined. The size of both chambers would need to be considered –

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<sup>21</sup> 53 per cent of the current life peerage has been appointed by Tony Blair (310 out of 581), an unprecedentedly fast rate of appointment. Mr Blair was also responsible for ensuring the retention of 92 hereditary peers with the so-called Blair - Cranborne deal.

<sup>22</sup> I set out the case for a small and mainly elected second chamber in *Reforming the Lords: a Conservative approach*, Conservative Policy Forum, 1998.

there is a strong case for at least halving the size of the second chamber from its current figure of 710.

Thirdly, cross-party cooperation should be sought. The equalising of the size of constituencies would remove an unfair advantage currently enjoyed by Labour. Their cooperation in restoring fairness would be highly desirable. Likewise, cross-party cooperation would also be valuable in the drawing up of any list of Lords appointments.

The public do not want to pay more for politics. They do not want more politicians and would prefer to see a reduction in their number. This has been the message of opinion surveys over many years, dramatically reinforced by the result of the referendum for an assembly in the North East.<sup>23</sup> Politicians should now respond by finding ways to arrest the growth in the cost of democratic politics. The best place to start – and the best signal for politicians to send – would be for the Commons to prune itself.

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<sup>23</sup> On November 4th, 78 per cent voted against the creation of an assembly, with 22 per cent in favour, on a turnout of 48 per cent. The cost of the assembly and arguments about the need for more professional politicians were central issues in the campaign.

## **APPENDIX**

### **The public cost of democratic politics**

Two questions are addressed. First, what is the total public sector cost of democratic politics in Britain? Secondly, by how much has this cost risen since the constitutional and other costs introduced after 1997?

Two clear conclusions emerge. First, the full public sector cost of democratic politics, at around £1.3 billion a year, is high, and far higher than most people suppose.

Secondly, the cost of democratic politics has risen very sharply since 1997, with an increase of 80 per cent, representing extra annual expenditure of over £575 million.

Although the electorate is unaware of the detailed numbers, their sense that a great deal more is being spent, perhaps sometimes wasted, by and for politicians, is undoubtedly contributing to the erosion of confidence in politics. The proposal made in this paper for a reduction in the cost of running the House of Commons, by reducing the number of MPs, is only a pinprick on these burgeoning costs, but it is a start. Much more needs to be done to arrest the rise in the cost of democratic politics in Britain or, if such rises are necessary, much more needs to be done to justify them.

### **The cost of institutions created since 1997**

Since 1997, as part of its programme of constitutional reform, the Government has set up a number of new institutions. These have added to the cost of democratic politics both through initial set-up costs, which have totalled £561.5 million, and through annual running costs, of £188.5 million. However, in the estimates of the total cost of democratic politics, set out below, the set-up costs (new buildings and the cost of referendums) have been excluded. Only the annual running costs have been included. Nor, of course, do the figures include projections of the cost of other government proposals. For example, plans for regional assemblies (which have already incurred a £0.5 million information campaign<sup>1</sup>, would mean set-up costs of £30 million

per assembly<sup>2</sup> and running costs of £25 million each<sup>3</sup>) are ignored. The cost of establishing and running these institutions is widely held to have been instrumental in bringing about the decisive rejection of proposals for an assembly in the North East in a referendum on November 4<sup>th</sup>.

### **The cost of institutions created since 1997 – set-up costs**

Institution	Set-up cost heading	Set-up cost (£ millions)
Electoral Commission	Set up costs <sup>4</sup>	0.6
Scottish Parliament	Referendum <sup>5</sup>	4.4
	Building	431.0
Welsh Assembly	Referendum <sup>6</sup>	2.3
	Building	55.0
Northern Ireland Assembly	Referendum <sup>7</sup>	1.7
Greater London Authority and Mayor	Referendum <sup>8</sup>	1.5
	Building <sup>9</sup>	65.0
<b>Total</b>		<b>561.5</b>

### **The cost of institutions created since 1997 – running costs**

Institution	Running cost heading	Set-up cost (£ millions)
Electoral Commission	Operating <sup>10</sup>	14.0
Scottish Parliament	Election <sup>11</sup>	3.5
	Operating <sup>12</sup>	58.7
Welsh Assembly	Election <sup>13</sup>	1.5
	Operating <sup>14</sup>	45.0
Northern Ireland Assembly	Election <sup>15</sup>	0.5
	Operating <sup>16</sup>	35.9
Greater London Authority and Mayor	Election <sup>17</sup>	3.8
	Operating <sup>18</sup>	22.6
<b>Total</b>		<b>185.5</b>

## The annual cost of democratic politics

Partly as a result of the increase in spending on the new institutions, the overall cost of democratic politics is now around £1.3 billion a year.

Heading		Cost	Total (£ millions)
Elections	General elections <sup>19</sup>	11.1	
	European Parliament elections <sup>20</sup>	14.7	
	Local authority elections <sup>21</sup>	28.2	
	Scottish Parliament elections <sup>22</sup>	3.5	
	Welsh Assembly elections <sup>23</sup>	1.5	
	Northern Ireland Assembly elections <sup>24</sup>	0.5	
	Greater London Authority elections <sup>25</sup>	3.8	<b>63.3</b>
Operating Costs	MP salaries, staff and allowances <sup>26</sup>	139.5	
	House of Commons facilities & administration <sup>27</sup>	140.6	
	European Parliament share of operating costs <sup>28</sup>	105.0	
	LA Democratic Rep. & Management costs <sup>29</sup>	600.0	
	Scottish Parliament operating costs <sup>30</sup>	58.7	
	Welsh Assembly operating costs <sup>31</sup>	45.0	
	Northern Ireland Assembly operating costs <sup>32</sup>	35.9	
	Greater London Authority operating costs <sup>33</sup>	22.6	<b>1,147.3</b>
Other	Electoral registration <sup>34</sup>	52.0	
	Electoral Commission operating costs <sup>35</sup>	25.7	
	Boundary Commissions operating costs <sup>36</sup>	3.1	<b>80.8</b>
<b>Total</b>			<b>1,291.4</b>

## The rising cost of democratic politics

The £1.3 billion annual cost of democratic politics represents a sharp increase since 1997, of £573 million or nearly 80 per cent.

Heading	Specific area of expenditure <sup>37</sup>	1997 Cost <sup>38</sup>	2004 Cost <sup>39</sup> (£Millions)
Elections	General elections	11.6	15.8
	European Parliament elections <sup>40</sup>	10.1	14.7
	Local authority elections <sup>41</sup>	23.7	28.2
	Scottish Parliament elections	-	3.5
	Welsh Assembly elections	-	1.5
	Northern Ireland Assembly elections	-	0.5
	Greater London Authority elections	-	3.8
Operating Costs	MP salaries, staff and allowances	81.8	139.5
	House of Commons facilities & administration <sup>42</sup>	100.2	140.6
	European Parliament share of operating costs <sup>43</sup>	88.3	105.0
	LA Democratic Rep. & Management costs <sup>44</sup>	350.0	600.0
	Scottish Parliament operating costs	-	58.7
	Welsh Assembly operating costs	-	45.0
	Northern Ireland Assembly operating costs	-	35.9
	Greater London Authority operating costs	-	22.6
Other	Electoral registration <sup>45</sup>	43.7	52.0
	Electoral Commission operating costs (Home Office and English Local Government Commission costs in 1997)	11.1	25.7
	Boundary Commissions operating costs <sup>46</sup>	2.6	3.1
<b>Total</b>		<b>723.1</b>	<b>1,296.1</b>

## **A cautionary note**

Estimating the total cost to the public purse of democratic politics in Britain is a major undertaking and, as far as I am aware, it has not been attempted before. There are problems of definition (eg where does the cost of democracy end and the cost of government begin?) as well as the more conventional accounting difficulties of separating out capital and current spending (capital projects, such as the Scottish Parliament building and Portcullis House have been excluded) and difficulties created by the introduction of resource accounting. Some readers may feel that items have been erroneously excluded (for example, there is nothing in these tables for the cost of policing elections); others that a number of items should not have been included. The cost of the House of Lords, £76.7 million (up from £38.5 million in 1997), has been excluded, since it is not a democratic institution. The costs of special advisers, at £5.8 million<sup>47</sup> (up from £1.8 million<sup>48</sup> in 1996-7) are excluded since, more controversially, they could be considered an administrative cost of the executive. The notes provide more information on the methodology and assumptions.

## **Notes and references**

- 1 House of Commons Hansard, Col 150W, 5<sup>th</sup> January 2004.
- 2 Projections, House of Commons Hansard, Col 636W, 27<sup>th</sup> February 2004.
- 3 Projections, House of Commons Hansard, Col 636W, 27<sup>th</sup> February 2004.
- 4 House of Commons Hansard, Col 392W, 9<sup>th</sup> November 2000.
- 5 House of Commons Hansard, Col 384W, 12<sup>th</sup> May 2004.
- 6 House of Commons Hansard, Col 384W, 12<sup>th</sup> May 2004.
- 7 House of Commons Hansard, Col 297W 11 Feb 1999. Costs of referendum and first election amounted to £4.7m; deducting £3m on the assumption that the 1998 and 2003 elections cost the same gives £1.7m.
- 8 House of Commons Hansard, Col 384W, 12<sup>th</sup> May 2004.
- 9 Greater London Assembly website, City Hall - how the building was chosen, [http://www.london.gov.uk/gla/city\\_hall/city\\_hall\\_howchosen.jsp](http://www.london.gov.uk/gla/city_hall/city_hall_howchosen.jsp).
- 10 The Electoral Commission's Net Resource Requirement for 2003/04 is £25.7 million (The Speaker's Committee, First Report, 2003). Before the

Electoral Commission was created, some of its functions were performed by the Home Office. The Home Office Annual Report for 1998 did not separately identify spending solely on electoral-related services, but gross expenditure on running/administration of elections in 1997/98 was £8.7 million and is likely to include some (though not all) functions now assumed by the Electoral Commission. The Electoral Commission has also assumed responsibility for the Local Government Commission for England, with a running cost of £2.9million. £14 million is therefore a reasonable estimate of the net additional cost of the Electoral Commission.

- 11 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £13.9 million; annualising cost over four-year cycle gives £3.5 million.
- 12 The Scottish Parliamentary Corporate Body Annual Accounts 2002-2003, operating cost, <http://www.scottish.parliament.uk/corporate/anrep-accts/accounts/accounts-03/schedule-2.pdf>.
- 13 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £6 million; annualising cost over four-year cycle gives £1.5 million.
- 14 National Assembly for Wales Resource Accounts, 2001-02, <http://www.wales.gov.uk/subieconomics/content/accounts/2001-2002-e.pdf> – payroll cost of members is £3.5 million, other related costs are £15.2 million and attributing one third of the £81.3 million budget for Assembly officials to the elective side gives a total of £45 million.
- 15 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £2 million; annualising cost over four-year cycle gives £0.5 million.
- 16 Northern Ireland Assembly Commission, Annual Report, 2002/03.
- 17 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2004 elections is £15 million; annualising cost over four-year cycle gives £3.8 million.
- 18 Mayor of London's Annual Report 2004; total expenditure in 2003/04 is £55.9 million, but this includes some executive rather than elected functions: the total cost of the key elected bodies is £22.6 million, consisting of the Mayor's office costs, £6.8m, City Hall, £9.7m and the Assembly and Secretariat, £5.8m.
- 19 House of Commons Hansard, Col 1081W, 23<sup>rd</sup> July 2002: central government expenditure on the 2001 General Election was £44.3

million; annualising cost over four-year cycle gives £11.1 million.

- 20 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2004 elections is £73.4 million; annualising cost over five-year cycle gives £14.7 million.
- 21 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projected costs in 2002-2005 are £14.3, £26.9, £12.6 and £59 million; averaged over four years gives £28.2 million.
- 22 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £13.9 million; annualising cost over four-year cycle gives £3.5 million.
- 23 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £6 million; annualising cost over four-year cycle gives £1.5 million.
- 24 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2003 elections is £2 million; annualising cost over four-year cycle gives £0.5 million.
- 25 Electoral Commission, *Funding democracy, Providing cost-effective electoral services, 2002*; projection for cost of 2004 elections is £15 million; annualising cost over four-year cycle gives £3.8 million.
- 26 House of Commons Commission Annual Report and House of Commons Resource Accounts: Members, Administration HC 67, HC 68 of 2003-4.
- 27 House of Commons Commission Annual Report and House of Commons Resource Accounts: Members, Administration HC 67, HC 68 of 2003-4.
- 28 Derived from estimate provided by European Parliament website ([www.europarl.eu.int/presentation/default\\_en.htm](http://www.europarl.eu.int/presentation/default_en.htm)). The EP costs EUR 2.50 per person per year, which converted into sterling and attributed per head to the UK gives around £105m. The cost may be higher; payments to the EU are not based on population.
- 29 Derived from Corporate and Democratic Core expenditure in Local Government Finance Statistics at [www.local.odpm.gov.uk/finance/stats/natstats.htm](http://www.local.odpm.gov.uk/finance/stats/natstats.htm); Local Government Democratic Representation and Management (DRM) expenditure is not centrally compiled. Corporate and Democratic Core (CDC) expenditure, which combines DRM and corporate management in 2003-04, was £1,431 million. The findings of a

sample of eight local authorities suggested that DRM expenditure accounts for at least 40 per cent of CDC expenditure. 42 per cent of £1,431million gives £600 million.

- 30 The Scottish Parliamentary Corporate Body Annual Accounts 2002-2003, operating cost, <http://www.scottish.parliament.uk/corporate/anrep-acts/accounts/accounts-03/schedule-2.pdf>.
- 31 National Assembly for Wales Resource Accounts, 2001-02, <http://www.wales.gov.uk/subieconomics/content/accounts/2001-2002-e.pdf>.
- 32 Northern Ireland Assembly Commission, 2001/2, Annual Report 2002/3.
- 33 Mayor of London's Annual Report 2004.
- 34 Electoral Commission, Funding democracy, Providing cost-effective electoral services, 2002.
- 35 The Electoral Commission's Net Resource Requirement for 2003/04, The Speaker's Committee First Report 2003. See also footnote 10.
- 36 Boundary Commission for England Annual Report 2003/4 (£1.8m) (Local Government Commission for England merged with Electoral Commission in 2002), Boundary Commission for Wales Annual Report 2003/4 (£0.4 million), Local Government Boundary Commission for Wales, National Assembly for Wales, £0.3 million, Boundary Commission for Scotland, Central Government Supply Estimates 2002/3 (£0.3 million), Local Government Boundary Commission for Scotland, Scottish Executive Annual Expenditure Report, 2002/3 (£0.3). Costs for Northern Ireland unknown.
- 37 For sources, see also annual cost of democratic politics table.
- 38 Or as near as possible to 1997.
- 39 Or as near as possible to 2004, eg General Election cost is projected cost of a General Election in 2005 (Electoral Commission, Funding democracy, Providing cost-effective electoral services, 2002).
- 40 1997 cost calculated by deflating 2004 cost assuming 2.5% annual inflation (the 2004 figure for the European Parliament elections includes an annualised cost of £13.2 million to pilot all postal-ballots (see DCA website, <http://www.dca.gov.uk/elections/euro/faq2004.pdf>) – the 1997 figure has been calculated by deflating the 2004 figure, minus the cost of the postal-ballots).
- 41 1997 cost calculated by deflating 2004 cost assuming 2.5% annual inflation.

- <sup>42</sup> A change in accounting procedures means that the stated costs for 2001 onwards are slightly (around 1.5%) lower than they would have been under the previous accounting system.
- <sup>43</sup> 1997 cost calculated by deflating 2004 cost assuming 2.5% annual inflation.
- <sup>44</sup> Derived from net current expenditure on services (NCE) in Local Government Finance Statistics at [www.local.odpm.gov.uk/finance/stats/natstats.htm](http://www.local.odpm.gov.uk/finance/stats/natstats.htm); CDC expenditure makes up somewhat less than half of NCE and DRM makes up 40-45 per cent of CDC (see footnote 29). So the estimated share of DRM expenditure in 1996/7 would be under a quarter of NCE. NCE rose from £1.6bn in 1996/7 to £2.8bn in 2002/3. If DRM has remained a consistent proportion of central services expenditure, it has risen from £350-£400 million in 1996/7 to £600-£700 million in 2002/03.
- <sup>45</sup> 1997 cost calculated by deflating 2004 cost assuming 2.5% annual inflation. Includes deflated operating cost of the Local Government Commission for England (Local Government Commission Annual Report 2001-2).
- <sup>46</sup> 1997 cost calculated by deflating 2004 cost assuming 2.5% annual inflation.
- <sup>47</sup> Cost of salaries, severance pay and pensions, House of Lords Hansard, Col WS43, 22<sup>nd</sup> July 2004.
- <sup>48</sup> House of Lords Hansard, Col 807, 22<sup>nd</sup> October 2001.

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# Pruning the Politicians

The case for a smaller  
House of Commons

*“Andrew Tyrie has performed a valuable service . . . the first serious attempt to aggregate the cost of elections and the operating costs of the bodies for which elections are held . . .”*

*The Times, 10<sup>th</sup> November 2004.*

It is increasingly clear that the public do not want more politicians, nor the extra cost that comes with them. In “Pruning the Politicians” Andrew Tyrie argues that politicians should respond. They need to arrest the rise in the number of professional politicians and the soaring cost of democracy. He believes that the House of Commons should give a lead, by putting its own house in order. The most straightforward way to do that is to reduce the number of MPs.

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# The Conservative Party's proposals for the funding of political parties

March 2006

A paper by Andrew Tyrie MP  
with a foreword by David Cameron



## Foreword David Cameron

I want the Conservative Party to play a constructive, positive role in the debate about party funding. Three months ago, I commissioned Andrew Tyrie to develop proposals for the reform of party funding as part of our long-term work to restore trust in politics.

These proposals offer a positive and constructive way forward. They would clean up politics by ending the suspicion that money buys honours or influence over policy; they offer a clear bargain to the electorate: in exchange for a little more state funding, we promise to reduce what we spend on politics and to expunge the impression, now deep in the public mind, that influence, access and honours can be bought by wealthy institutions, Trade Unions, and individuals.

Our Green Paper proposals are set out in detail in Chapter 3. They form a group of inter-related reforms and should be taken together. They consist of four main components:

1. There should be a cap on party political donations from any individual or organisation, set initially at £50,000 a year. In the longer term, after a transitional period, we believe that all corporate, institutional and trade union donations should be brought to an end. We must ensure there is no suspicion that such money can buy honours or influence over policy. These proposals would encourage parties to widen their funding base, and they offer Tony Blair and Gordon Brown the opportunity once and for all to end the Labour Party's reliance on Trade Union funding – and with it the suspicion that the unions act as a brake on vital public service improvement plans.
2. There should be a ban on all forms of loans to parties, except from financial institutions on fully commercial terms. The Electoral Commission must oversee these to ensure that they cannot become disguised donations.
3. More widely, we want to cut the overall cost of politics. The paper proposes lowering the limit on general election campaign spending from £20 million to £15 million. It suggests further proposals to cut the cost of politics, including a reduction in the number of special advisers, the abolition of Regional Assemblies, and consideration to a small reduction in the number of MPs. The overall cost of politics under Labour has gone up by hundreds of millions of pounds. The savings proposed can offset the additional cost of state funding.

4. We believe that cutting the cost of politics would make it fair to ask taxpayers to contribute more to the costs of political parties getting their message across to the electorate independently and directly. Any extension of state funding should encourage parties to increase grass-roots participation and the recruitment of members at the local level; it should also encourage parties to raise the turnout. State funding must avoid rewarding failure at the polls or encouraging apathy in membership recruitment.

Our Green Paper proposals are the basis on which we will approach cross-party talks on party funding reform. There will, no doubt, be ideas from others which the political parties should consider. I think it is vital that all parties now work together in a non-partisan way to deal with this issue. It is the shared responsibility of political leaders to ensure clean politics in this country, and I have written to the Prime Minister and to Sir Menzies Campbell to invite them to discuss our proposals.

In addition, our paper includes proposals for reform of the honours system and appointments to the House of Lords – including a statutory Honours Commission, accountable to both Houses of Parliament, to replace the House of Lords Appointments Commission and to assume from ministers the task of making recommendations to The Queen for all honours.

A handwritten signature in black ink that reads "David Cameron". The signature is fluid and cursive.

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“Without parties, parliamentary government is impossible.”  
Benjamin Disraeli

“Parties must ever exist in a free country.”  
Edmund Burke

## 1. Funding political parties: the problem

Democracy needs parties. Parties need money. The means by which parties now obtain their funding is attracting increasing public criticism. At least some of the criticism is justified, and is contributing to the erosion of trust in parties and politics. It is now incumbent upon the major parties to work together to agree reform that can restore the public's faith in them, and the way they are funded.

Party funding cannot go on as it is. Traditional ways of funding politics are collapsing:

- The membership of political parties (and, with it, individual subscription income) has dropped by around 85 per cent over the last half century. The long-run downward trend may continue.
- Corporate donors have disappeared, scared away by transparency requirements and, rightly, by a growth in shareholder activism.

The remaining sources of party funding are making the problem worse. These fuel scandal and further erode the public's confidence in parties:

- Both the major parties are increasingly dependent on a small number of rich donors. To the public, it appears that these donors are seeking to buy access or influence. The public may be right. The last few years have seen a succession of scandals and rows over donations - Ecclestone, Mittal, Powderject, amongst others<sup>1</sup> - each of which has damaged the reputation of parties for clean politics.
- Increasingly, it has looked as if peerages and other honours are being offered in exchange for donations and loans to parties. A number of recent cases have led many voters to conclude that honours are now being trafficked.<sup>2</sup> Nor has this been exclusively a Labour Party problem.<sup>3</sup> The sale of honours was made illegal under the Honours (Prevention of Abuses) Act, 1925,<sup>4</sup> as a result of Lloyd George's honours' sales. The 1925 Act was passed after Prime Minister Lloyd George outrageously exchanged peerages for party funding. We are slipping back into the world of Lloyd George.

<sup>1</sup> Formula One boss Bernie Ecclestone gave £1million to the Labour Party in 1997, which was subsequently linked by the press to an exemption for Formula One from a ban on tobacco advertising. Mr Ecclestone's £1 million donation was later returned to him. Lakshmi Mittal's donation to the Party of £125,000 in 2001 was linked by many to the fact that Tony Blair had written to the Prime Minister of Romania shortly afterwards, backing Mr Mittal's efforts to take over a steel plant in that country. Dr Paul Drayson's company, Powderject Pharmaceuticals, donated £50,000 to the Labour Party in 2001. In April 2002 the Department of Health revealed that it had awarded a £32 million contract to the company, and in 2004 Dr Drayson was made a peer.

<sup>2</sup> Apart from Dr Drayson, Lords Bragg, Gavron, Haskins and Sainsbury all made large donations to the Labour Party before they were made peers.

<sup>3</sup> 'While only around 6 per cent of companies make donations to the Conservative Party, 50 per cent of knighthoods and peerages have gone to directors of companies which have made such donations.' See Vernon Bogdanor, *Power and the People* (Victor Gollancz, 1997), p 155.

<sup>4</sup> This makes it a criminal offence to deal in honours, either as broker or purchaser. The Act has been ineffective, and has resulted in only one prosecution.

- The public's confidence in Parliament has also been eroded by the perception that an honour, which confers membership of the legislature, can be purchased by means of a donation to a political party. Fundamental reform of both composition and powers of the House of Lords is to be considered shortly by a joint committee of both Houses.<sup>5</sup>
- Trade Unions still fund the majority of the Labour Party's costs.<sup>6</sup> A handful of Trade Unions, and therefore a small number of Trade Union leaders, have effective control of over half the funding. In return, they expect access and influence. The Warwick Agreement of 2004, by which the Trade Unions extracted from the Labour Government a change to employment law and a commitment to state ownership of the Royal Mail, illustrates the scale of Union power. Their influence will be highlighted again when they wield their electoral college votes in the Labour leadership contest, later in this Parliament.

For over ten years both major parties have made efforts to overcome the problem. None of them have transpired to be sufficient:

- New 'sleaze' watchdogs have been created. The Major Government created the Committee on Standards in Public Life, initially chaired by Lord Nolan in 1994. It has spawned others: the Standards and Privileges Committee in the House of Commons, set up in 1995, and the Electoral Commission, set up under the Political Parties, Elections and Referendums Act 2000. All of these have done good work. Nonetheless, while they have found nothing seriously wrong, the effect of their inquiries has sometimes been to fuel a media frenzy and to convince the public that there is no smoke without fire.
- New rules and transparency requirements have been introduced, particularly in the Political Parties, Elections and Referendums Act 2000. These limit the donations that parties may receive, and require parties to report regularly on their donations. They also set caps on campaign expenditure. However, the effect of these has been to narrow the funding base, throwing parties into the hands of a handful of rich donors.
- Despite the new rules, parties have found ways of getting round them, including loans. The decision of Tony Blair to nominate lenders for peerages and the subsequent scrutiny by the House of Lords Appointments Committee brought these loans into the public domain.

In sum, parties are being squeezed by a steady decline in traditional sources of funding. At the same time, they are finding it increasingly hard to attract other forms of funding in ways that can command public confidence. Reform is essential if parties are to be able to operate effectively in the twenty-first century.

<sup>5</sup> The Government is committed to set up a joint committee of both Houses to consider and codify the powers of the House of Lords. It is also committed to limit to 60 days the time that the House of Lords can delay Manifesto commitments and to abolish the remaining hereditary peers. It has said that it will allow a free vote on the composition of the House of Lords.  
<sup>6</sup> See Appendices 6 and 8.

## 2. Reforming party finance: objectives and principles

Any reform should be based on clear objectives and principles that the electorate will understand and accept. Fundamental reform should achieve the following objectives:

- It should eliminate the power of any individual donor to exercise undue influence over a party.
- It should reassure the public that corporations, Trade Unions and other institutions cannot capture parties, nor influence them through the back door as donors or sponsors.
- It should decisively break the link between honours and party funding.

This will require a cap on donations below the level at which the public believe parties can be influenced or bought. As a result, parties will not have enough money to fund themselves.

At least part of the shortfall will have to be met from public funds.

### State funding should embody five principles:

- It should encourage participation**  
State funding should be related to both votes and membership. Parties should be required to earn funding by increasing grass roots participation as well as by attracting votes. In this way state funding will avoid rewarding political failure at the polls or encouraging apathy in membership recruitment.
- It should be open to all**  
All voters, whatever their means, whether taxpayers or not, should be able to participate.
- It should be voluntary for parties**  
Access by parties to state funding and, with it, the imposition of the cap on individual donations, should be voluntary. A party should not be required to take public money but, if it does, it should be required to play by certain rules, including those which sever the link between corporate and Trade Union funding and parties.
- It should be fair and transparent**  
Those rules should be supervised by the Electoral Commission to ensure fairness and to subject the use of the money to full transparency and disclosure requirements.
- It should be proportionate**  
Parties need to be funded at a level that allows them to put their message across to the electorate, and in a way which permits some independence from filtering by the media by means of, among other things, new information technology. However, they should not be assisted beyond the minimum level that is judged to allow this. Making this judgement should be the responsibility of the Electoral Commission, who already similarly advise on the spending cap for General Elections.

### 3. Proposals for fundamental reform

Based firmly on these objectives and principles, the following reforms are proposed:

1. The ceiling on General Election spending should be lowered from £20 million to £15 million, as has been proposed by the Electoral Commission.<sup>7</sup> The Electoral Commission is already responsible for ensuring that the General Election cap is not circumvented. It should be asked to report on whether the current arrangements for doing so are effective.<sup>8</sup>
2. A cap on individual donations of £50,000, in cash or kind should be introduced. Any statutory cap must form part of wider agreement between the parties and, in practice, must apply to all organisations including Trade Unions. If a £50,000 cap fails to allay public disquiet the limit may need to be lowered.
3. A cap on all corporate, institutional and Trade Union funding of £50,000 per annum, in cash or in kind, should be introduced. The Electoral Commission should be made responsible for ensuring that such bodies do not change their structure in order to circumvent the cap, directly or indirectly. In the longer term, and after a transitional period, all corporate, institutional and Trade Union funding of parties should be ended. Corporate bodies should not be able to buy disproportionate influence in a 21st century democracy. The retention, for a while, of the £50,000 cap will give those most affected, particularly the Labour Party, time to adjust. Electoral politics should primarily be a matter for individuals, not well-heeled pressure groups, Trade Unions or corporations.
4. A ban on all forms of loans to parties, except from financial institutions on fully commercial terms, should be imposed. The Electoral Commission must oversee these to ensure that they cannot become disguised donations.
5. Income Tax relief should be introduced for donations up to £3,000 per annum at the basic rate (22 per cent), subject to an eligibility threshold.<sup>9</sup> Income Tax relief has already been proposed both by the Neill Committee and by the Electoral Commission.<sup>10</sup>

<sup>7</sup> Electoral Commission, *The Funding of Political Parties*, Dec. 2004, para. 4.49

<sup>8</sup> This means reviewing 'third party' spending, as well as the spending of political parties. The Political Parties, Elections and Referendums Act 2000 (PPERA) introduced limits on the amount of money that can be incurred by organisations or individuals who are not standing at an election, but who wish to campaign for or against a party or group of candidates. These 'third parties' can include UK registered companies, Trade Unions, and even individuals. Third parties that wish to spend more than £10,000 in England, or £5,000 in each of Scotland, Wales or Northern Ireland supporting or opposing a party or group of candidates must register with the Commission as a recognised third party.

<sup>9</sup> A party will be eligible which either has two members elected to the House of Commons, or has one elected member and gained at least 150,000 votes at the last General Election. These are the rules currently applied to exemptions from Inheritance Tax under s. 24 of the Inheritance Tax Act 1984. The same eligibility criteria apply to Short Money. See note 13 for the slightly different criteria that apply to Policy Development Grants.

<sup>10</sup> Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom* (1998), para. 8.20; Electoral Commission, *The Funding of Political Parties* (Dec. 2004), paras 6.44, 6.54.

6. A matching funding scheme for non-taxpayers should be introduced. Donations of up to £3,000 to a political party from non-taxpayers should attract an additional 22p in the £. The benefiting party must fulfil the same eligibility criteria as for Income Tax relief and Inheritance Tax relief as described in note 9.<sup>11</sup>

7. The current arrangements for Inheritance Tax relief and Short Money should remain.<sup>12</sup>

8. A General Election Policy and Communication Fund (GEF) should be created. Its purpose will be to assist parties with the extra cost of General Elections and, between elections, to enable parties to prepare for them in two areas: policy development and the use of up-to-date technology to enable more effective communication during an election.

The main terms of the Fund will be:

- Eligible parties would receive a sum of £1.20 for each vote they obtained at the preceding General Election, plus an annual payment of 60p for each vote they obtained at the preceding General Election.
- To be eligible, a party must satisfy the same conditions as apply for access at present to Inheritance Tax relief (see footnote 9).
- The scheme will replace the existing Policy Development Grants administered by the Electoral Commission.<sup>13</sup>
- The scheme will be administered by the Electoral Commission which will also be responsible for auditing the money.

9. Parties which are not eligible for, or who choose not to apply for, the GEF will not be bound by the cap on individual donations.

<sup>11</sup> The Electoral Commission has proposed a match funding scheme for non-taxpayers. See Electoral Commission, *The Funding of Political Parties* (Dec. 2004), para. 6.55.

<sup>12</sup> See footnote 9 for the eligibility for these grants.

<sup>13</sup> The Policy Development Grants Scheme was originally established under the Elections (Policy Development Grants Scheme) Order 2002. The fund of £2m per annum is allocated by the Electoral Commission among eight parties (which are parties with two or more sitting members of the House of Commons on a certain date who have taken the oath). An Elections (Policy Development Grants Scheme) Order 2006 comes into force on 1 April 2006.

10. Decisive action needs to be taken now to end the suspicion that peerages, and other honours, are sold, and to restore credibility to the honours system and appointments to the Upper House. Apart from peerages, honours must be awarded solely on the basis of an independent judgement about achievement. Appointment to the House of Lords should be based on an assessment of the ability and the likelihood of that individual making a useful contribution to the work of the legislature.

To achieve these changes:

- The current House of Lords Appointments Commission<sup>14</sup> should be renamed the Honours Commission and should assume from Ministers the task of making recommendations to The Queen for all honours.<sup>15</sup>
- The Commission must be placed on a statutory basis. The statute should lay down clear criteria by which awards and appointments are made.
- It should be an offence to provide the Commission with false information (as pertains for the Electoral Commission).
- Anyone, including Government Ministers, other institutions, public and private, should be able to make recommendations to the Honours Commission.
- The Commission will be appointed by both Houses of Parliament and be accountable to both Houses of Parliament.
- The Conservative Party has supported a largely elected second chamber for nearly five years. Until further reforms to the composition of the House of Lords are enacted, the Commission's remit will need to include the appointment of all members of the House of Lords, not only 'non-political' peers. Political parties will be able to make recommendations, but the Commission will determine whether those recommended are suitable for membership. The details of the arrangements under which they do so, including those for party balance in the second chamber, should be the subject of consultation between the parties.
- The Honours Commission should check whether or not nominees for peerages and other honours have made donations or loans to a political party within the last five years.<sup>16</sup> It should require a certificate from party leaders to this effect. Party treasurers should be placed under a statutory duty to enable party leaders to complete the certificate accurately. This will require providing all relevant information about the financial relationship between a candidate for an honour and his or her party. The statutory requirements on declaration may need to be accompanied by statutory protection for donors from discrimination. Donations should not be a bar to an award but must be, and be seen to be, unconnected to the award. Scrutiny should be strong enough to assure the public that there is no connection.

<sup>14</sup> The Commission is a Non Departmental Public Body. Its role is more fully described in Appendix 2.

<sup>15</sup> The Public Administration Committee recommended the establishment of a statutory Honours Commission in its report on the Honours System of 2004.

<sup>16</sup> The House of Lords Appointments Commission currently reviews the Prime Minister's nominations for peerages, and checks whether the people concerned have made donations to political parties declarable to the Electoral Commission in the last five years; it asks for a certificate from the Party Chairman to confirm whether they have made any donations. For more details, see Appendix 2.

11. Special consideration may need to be given to the arrangements for party funding in Scotland, Wales and Northern Ireland (which already has a slightly different legal framework for parties under the PPERA).

These proposals will cost money. On the basis of turnout at the last General Election the cost of the GEF will be £30 million in a General Election year and £15 million in a non-General Election year. The cost of tax relief, and non-taxpayer matching funding, will depend on take-up but is likely to be much smaller than GEF.

The gross cost will be partly offset by the replacement of the Policy Development Grants (£2 million). More widely, a number of other offsetting savings to the cost of politics should be considered. The number of special advisers in Whitehall could be halved, providing an annual saving of nearly £3 million. The growth in the cost of special advisers over the past decade, from £1.8 million to nearly £6 million is a form of state funding of political parties by the back door. In addition, the Conservatives are considering the scope, over time, for a small reduction in the number of MPs – at 646 members the House of Commons is one of the largest legislatures of any democracy and probably too large. Even a modest reduction of, say, ten per cent, would bring annual public expenditure savings of £10-15 million, broadly equivalent to the annual cost of the GEF. Furthermore, it should be borne in mind that the total cost of democratic politics in Britain, at £1.3 billion a year has risen sharply since 1997, probably by nearly 80 per cent.<sup>17</sup> The Conservative Party will examine the sharp rise carefully to find further savings. The Party is already committed to abolition of the Regional Assemblies, and their associated administrative support, in England, saving at least £18 million. The public benefit of the Union Modernisation Fund (Exchequer cost £10 million) and the Union Learning Fund (£14 million) also needs to be re-examined.

Given the fragility of public confidence, agreement on all the above measures for offsetting savings cannot be allowed to stand in the way of fundamental reform of party funding. Nonetheless, it will be the intention of the Conservative Party to find offsetting savings which can enable implementation of its proposals at a fraction of the gross cost.

<sup>17</sup> See Andrew Tyrie, *Pruning the Politicians* (Conservative Mainstream, 2005).

## 4. Clean politics: a new era for party funding

These proposals form a group of interrelated reforms. Taken together, their beneficial effect will be wide-ranging. A number of complex issues are raised by the proposals and further detailed work will be required, in co-operation with other parties and taking account of other ideas for reform.

A number of other organisations and individuals have recently made proposals designed to have a similar effect.<sup>18</sup> Proposals for state funding based mainly on tax relief plus matching funding were made, for example, by Matthew Taylor, now the Prime Minister's Chief Adviser on Strategy, in an IPPR pamphlet in 2002.<sup>19</sup> Recently, the Power Commission, chaired by the Labour peer Helena Kennedy, proposed a voucher scheme: each voter at the General Election would be able to indicate that they wished to allocate £3 per year from public funds to a party of his or her choice.<sup>20</sup> In the last few weeks, the Prime Minister has responded to public criticism by providing a rough outline of some measures of his own.

State funding, of itself, does not make scandal over party finance impossible. It is no panacea. A series of scandals in Germany, for example, has shown the risks of relying excessively on state funding to keep politics clean.<sup>21</sup> Nonetheless, when combined with an effective system of oversight and caps on spending and donations, it can make an important contribution. State funding, particularly if it can be implemented on the basis of consensus, can address the problems caused by the abuses and scandals of recent years and can contribute to the vital process of restoring public confidence.

Reform of party funding is only one among many measures and constitutional changes required. Over the past decade major constitutional change has been enacted and at considerable expense, but the overall effect appears at best mixed, with public trust in parties and political institutions probably no higher than a decade ago and in some areas, lower. The Democracy Task Force, led by The Rt Hon Kenneth Clarke MP, is examining these issues and will consider what further measures need to be taken. Among them will be proposals to restore the place of Parliament nearer the centre of British political life, to rebalance the relationship between Ministers and the Civil Service, and to curb the growth of presidentialism in British politics.

<sup>18</sup> Some more detail on recent proposals is given in Appendix 1.

<sup>19</sup> *Keeping it clean: the way forward for state funding of political parties* (IPPR 2002), Matt Cain with Matthew Taylor

<sup>20</sup> The report of Power: an Independent Inquiry into Britain's Democracy, *Power to the People* (Feb. 2006), pp 211-12. The Commission proposed that the money should be made available to the party concerned for activities conducted by parties or candidates within their constituency only.

<sup>21</sup> See Appendix 3 for state funding of political parties in other countries and details of scandals which have affected it.

Therefore, given courage and far-sightedness on the part of all political parties, there is now a unique opportunity to create a new era for party politics, not tainted by the mistakes of the past. For it to be stable and lasting, the reforms of party finance must be constructed on the basis of cross-party consensus. In turn, this will mean that the major parties will have to engage in more constructive dialogue on these issues, and less mud-slinging. It will require parties to work together for the common good and to set aside their own party advantage. Only by doing so can a lasting consensus be constructed.

These discussions now need to take place between the major parties as openly as possible, rather than entirely behind closed doors, and should be independent of party intrigue. In order to achieve this, the Conservative Party proposes that the Electoral Commission should be asked to work under section 6 of the Political Parties, Elections and Referendums Act to bring forward a firm set of proposals. The statutory independence of the Electoral Commission can provide an assurance that the agreed measures are not stitched up behind the scenes between the parties, but are a considered attempt to place party funding on a sustainable basis and to recover trust in the political system.

## 5. Issues and answers

### 1. How much would these proposals cost?

- On the basis of the 2005 General Election, the GEF would cost £30.7 million in a General Election year and £15.35 million in a non-General Election year.<sup>22</sup>
- The cost of tax relief and non-taxpayer matching funding scheme would depend on take-up, but would be much smaller than the cost of the GEF.<sup>23</sup>
- The Electoral Commission may incur some additional costs. The Commission should be asked to find savings for these from within its current budget.

The gross overall cost will be proportionate. It can be compared to:

- The annual cost of democratic politics at £1.3 billion.<sup>24</sup>
- The average annual public cost, in cash or kind, of support to political parties. This runs to £230 million in an election year, £88.5 million in a non-election year (see Appendix 4).
- The costs of elections over a four-year cycle: the Electoral Commission has calculated that these are in excess of £440 million, implying an annual average cost of £110 million.

### 2. Can any savings be made?

Yes. The net cost will be smaller than the gross cost, and the Conservative Party is considering proposals largely or fully to offset it;<sup>25</sup>

- Policy Development Grants will be subsumed into the GEF at a saving of £2 million.
- Consideration will be given to halving the number of special advisers at a saving of nearly £3 million.
- Consideration will be given to a modest reduction in the number of MPs. A ten per cent reduction (which could be implemented over a Boundary Review cycle) would bring savings of at least £10-15 million per year.
- Other savings may be available from an examination of the sharp rise in the cost of democratic politics since 1997. This has risen by nearly £600 million, or nearly 80 per cent, since 1997. The Conservative Party is already committed to the abolition of Regional Assemblies in England at a saving of between £18 million and £30 million.

<sup>22</sup> See Appendix 5 for details of the number of votes cast in the General Election of 2005.

<sup>23</sup> An estimate can be made on the basis of the calculations of the Electoral Commission. The Commission gives the total value of donations reported to the Commission for 2001, 2002 and 2003 as £68m, approximately £23m a year. Applying the gift aid formula for calculating tax relief to this figure – i.e., the amount of gift multiplied by 22/78 – gives a figure of £6.48 million. This ignores donations under the threshold used by the Commission for donations of £5000 for parties and other organisations, and £1000 for local branches of parties and individuals. It is assumed that the loss of the larger donations will be compensated for by a growth in smaller donations – not reported in the Electoral Commission figures. For the methodology, see *The Funding of Political Parties*, The Electoral Commission, 2004, paras. 5.32 and Table 18, para. 6.51 and footnote 71.

<sup>24</sup> See above, p 18.

<sup>25</sup> For further details, see above, p 7.

### 3. Doesn't the public dislike the principle of state funding for political parties?

- A number of surveys show that the public is strongly supportive of the principle that parties should be financed by their own fund-raising, rather than being subsidised by taxpayers; but
- Those same surveys also show that the public accepts that 'it makes elections unfair if one party can afford to spend more than the others'; and 'funding parties by voluntary donations is unfair because there is a risk that wealthy individuals, businesses and trade unions can buy influence over parties'.<sup>26</sup>
- The Neill Committee found that most of those they spoke to in Canada, Germany and Sweden considered that 'whatever the disadvantages of state aid, the provision of it had had the effect in their country of making the political process substantially cleaner than it would otherwise have been'.<sup>27</sup>

### 4. Why should taxpayers pay for political parties, especially if they disagree with them?

- Tax relief or matching funding offers a means by which taxpayers can allocate money directly to a party they actually do support, rather than to political parties as a whole. These schemes may also promote a revival in grass roots party political activism.
- GEF funding follows votes cast, thereby encouraging parties to maximise turnout, including in non-marginal seats.
- Professor Vernon Bogdanor of Oxford University has pointed out that much existing party funding from private sources is far from voluntary. Trade Unions use their members' funding in large part to fund the Labour Party, but a majority of Trade Unionists vote for parties other than Labour. Though individuals can contract out of the political levy, only about a fifth of them do, perhaps either because some of them are not fully aware of the use to which the levy is put, or because of inertia.<sup>28</sup>
- Taxpayers already pay for political parties through the various existing forms of state funding, both in cash and in kind: the Electoral Commission's Policy Development Fund; Party Election Broadcasts; the free delivery of election communications; Short and Cranborne money.

### 5. Won't it mean funding unacceptable political parties, like the BNP?

- A threshold will prevent parties which do not obtain one or more seats in the House of Commons, or do not take up their seats, from access to any money under the new schemes. The threshold for access to funding is of long standing, and described above (see footnote 9).
- Some state funding in kind is already provided for parties that would be excluded from the new funding streams – the access to party election broadcasts and to the delivery of an election communication.

<sup>26</sup> Electoral Commission, *The Funding of Political Parties* (Dec 2004), p 15.

<sup>27</sup> *Ibid.*, Para. 7.16

<sup>28</sup> Bogdanor, *Power to the People*, pp 152-3

#### 6. Won't it suppress smaller parties, and prevent new parties from forming, bringing new life to the political system?

- A party which does not qualify, or chooses not to apply, for state funding will not be required to accept the limits on donations. Its access to political competition is therefore unfettered. A new party should have to prove that it can attract a certain level of support before obtaining recourse to public funding.
- The threshold arrangements will mean that parties which do not obtain one or more seats in the House of Commons will not obtain access to the new streams of party funding which are established. Such threshold arrangements are common in most countries and are already in place in the UK for access to other public funding.

#### 7. Why should donors be prevented from paying as much money as they want to parties they do support? After all it's their own money.

- The electorate believes that large donors are interested in buying influence and access to those in power.
- The electorate already accepts extensive rules about the funding of politics and political parties, for example the ban on the purchase of broadcast advertising, and welcomes the fact that this avoids political competition spiralling out of control. A political arms race such as exists in the US would transform for the worse the conduct of elections in the UK.
- Small amounts from a larger number of individuals is a more acceptable way of building up the finances of a political party than large amounts from a handful of wealthy donors. The proposed scheme will encourage a broadening of the financial base of political parties.

#### 8. Won't it be challenged in the courts as against the Human Rights Act?

- It is sometimes argued that limits on the donations that people can give to political parties will be regarded as contravening the European Convention on Human Rights, and therefore illegal under the Human Rights Act. The judgement of the European Court of Human Rights in the case of *Bowman* in 1983 held that it was a restriction on the right to freedom of expression to prevent a person other than the candidate and his or her agents from spending more than £5 on publishing material which promoted a candidate.<sup>29</sup>
- This was considered by the Neill Committee. Its view was that the point in *Bowman* related to the very low limit set on spending in that case, something which effectively placed a total ban on the freedom of expression of the individual concerned. As it argued, in the wider context of overall limits on election spending, and limits on donations which are not set at the very low level concerned in that case, it is unlikely that a claim based on the Convention would succeed.<sup>30</sup> Challenges have been made against Federal election limits in the US on similar basis, citing the first amendment.<sup>31</sup>

<sup>29</sup> The case concerned the provisions of s.75 of the Representation of the People Act 1983.

<sup>30</sup> Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom* (October 1998), pp 130-1.

<sup>31</sup> The details are given in Appendix II of the Report of the Neill Committee, p 211. The challenge was to 1974 amendments to the Federal Election Campaign Act of 1971; the leading case was *Buckley v. Valeo*.

#### 9. Isn't this just a way for Conservatives to hit at the funding that the Labour Party gets from the Unions?

- The proposed reforms affect individual and corporate donations just as much as they affect Trade Unions.
- The Prime Minister's chief strategist agrees that Trade Unions should be treated just like any other donor. In a pamphlet published by the left-leaning think-tank, the IPPR, Matt Cain and the Prime Minister's chief strategist, Matthew Taylor, argued that 'our recommendations set out to remove the perception that money buys influence and trade unions cannot be treated differently from any other donor'.
- The basis of political funding ought to be the willingness of an individual to support a party. It should not be based on the inclination of the leadership of a union, chief executive of a corporation or other institution to deploy funding derived from many people, often in the pursuit of political aims with which their membership or shareholders may not be in agreement. The direct part demanded by the Trade Union movement in return for its affiliation fees has been a subject of long-standing concern – on the part of New Labour as much as on the part of anyone else.<sup>32</sup>

#### 10. Why these particular proposals? What about other ideas – a voucher scheme as proposed by the Power Commission, for example?

These proposals have been worked out as coherent, practical and affordable. They reflect the objectives and principles set out in section 2 of this paper. Other ideas may also be considered. The Conservatives want consultation to take place on an all-party basis, supported by the independent watchdog, the Electoral Commission. The scandals of recent years in party funding need to be brought to an end, while providing a solid basis for the survival of parties, and the survival of parliamentary government.

<sup>32</sup> See Appendix 8 for details of the links between the Labour Party and the Unions.

## 6. Appendices

### Appendix 1: Other proposals for state funding

Many bodies and individuals have made proposals involving state funding of political parties over the last few years – although support for the principle of state funding goes back at least to the Houghton Committee report of 1976 and the Hansard Society report of 1982. The recent reports which have been referred to in this paper are outlined here:

1. Matt Cain and Matthew Taylor, *Keeping it Clean: the way forward for state funding of political parties* (IPPR, 2002). Proposals include:
  - A reduction of the General Election spending cap to £12m, plus an annual spending cap.
  - A cap on all donations of £5,000 – including donations by Trade Unions and other institutions – for those parties which wish to receive state funding. Those which did not would be free to accept higher donations.
  - State funding through ‘Tax relief plus’ – a system tapered to encourage smaller donations.
  - Additional state funding in kind – for example through advertising.
2. The report of Power: an Independent Inquiry into Britain’s Democracy, *Power to the People* (2006). Proposals include:
  - State funding to support local activity by political parties and independent candidates to be introduced based on the allocation of individual voter vouchers.
  - Individual donations to political parties should be capped at £10,000; donations from organisations should be capped at £100 per member, and subject to full democratic scrutiny within the organisation.
3. The Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom* (1998), said that:
  - Arguments for and against public funding were finely balanced: ‘we can envisage circumstances in which substantially increased state funding of political parties – including the funding of their general activities – might become an imperative. But we do not believe that that time has come yet, if it ever will’ (para. 7.24).
  - It proposed, however, a modest policy development fund, subsequently implemented; and
  - It proposed allowing tax relief on donations to political parties by deduction at source, not subsequently implemented (para. 8.20).
4. Electoral Commission, *The Funding of Political Parties* (December 2004). Proposals include:
  - A modest increase in the Policy Development Grant Scheme.
  - Introduction of tax relief on donations to political parties up to a value of £200.
  - Any tax relief scheme should extend to non-taxpayers, possibly through a match-funding system.

### Appendix 2: The current honours system and political honours

1. The system before 2005:
  - The Honours (Prevention of Abuses) Act, 1925 makes it a criminal offence to deal in honours, either as broker or purchaser. The Act did not recognise the existence of a seller in the transaction. The maximum penalty was a fine of £500 and 2 years’ imprisonment. Only one prosecution has ever been brought under the Act.
  - The Political Honours Scrutiny Committee was set up in 1923, consisting of 3 Privy Councillors appointed by the Prime Minister. Since the Neill Committee report of 1998 the Committee had scrutinised every case where a nominee for a CBE and above has directly or indirectly donated £5,000 or more to a political party at any time in the past 5 years. The Committee was renamed the Honours Scrutiny Committee and its terms of reference were set out in an Order in Council of 18 October 2002.
2. In 2005 the Government initiated a review of the honours system, and the Public Administration Select Committee undertook its own review. PASC proposed an Honours Commission entirely separate from Government with its own staff, which would take over from Ministers the task of making recommendations to the Queen for honours, and based on statute. The Government’s own review proposed a much more limited reform which the Government implemented in a White Paper of 2005.
3. In line with the White Paper proposals, the Honours Scrutiny Committee was wound up in 31 March 2005. The Committee was considered unnecessary, as appointments to the House of Lords were now dealt with by the House of Lords Appointments Commission, and that after 2006 the Electoral Commission would reveal whether a particular individual had been a donor within the last 5 years.
4. The House of Lords Appointments Commission is chaired by a cross bench peer, and has 2 non-party political members and 3 members nominated by the main political parties. Its role is to recommend people for appointment as non-party political life peers, to vet all nominations for membership of the House of Lords, and, since 2005, to vet individuals added to honours lists by the Prime Minister for propriety.
  - The Commission requires individuals being proposed for an appointment to the House of Lords to declare whether they are resident in the UK and intend to remain so, and are also resident for tax purposes; are not involved in any roles, positions or activities or have any interests that would conflict with their membership of the House of Lords; and have made any donations to a political party in the last five years which were declarable to the Electoral Commission.
  - The political parties provide the Commission with: a certificate confirming either that no significant donation has been made or an assurance that any donation was not related to the proposed nomination, and a citation from the party leader giving the reason for the nomination.
  - However, the Commission must satisfy itself that the person would be a credible nominee irrespective of payments made to a party or cause. Other than the Chief Whip’s certificate and party leader’s citation, mentioned above, the Commission may also seek information from the nominating party, or from the nominee.

### Appendix 3: International comparisons

All advanced democracies have some form of state funding. In most cases requirements are imposed on parties in exchange, including limits on private donations, caps on total spending, and disclosure and transparency rules. The following are illustrative examples:<sup>33</sup>

1. Germany was one of the first established democracies to grant public funding to national political parties.
  - State funding for political parties is based on the number of votes they received in a General Election plus matching funding for subscriptions and donations.
  - Trade Unions are not eligible to provide donations.
  - Donations may be accepted only from EU citizens or a business substantially owned by a 'German'.
  - Tax relief is given on donations up to £2,000 per person per year.
  - There are legal requirements on the disclosure of donations of over £6,700 and auditing of accounts with very stringent fines.
  - There have been a series of scandals relating to party funding: the most notorious was that which broke in late 1999 over the failure to report donations made to the CDU party leader and federal Chancellor Helmut Kohl; a number of other CDU figures were involved as well.<sup>34</sup>
  
2. Canada rid itself of party funding scandals through the Canada Elections Act 1974, when public funding was introduced to cover part of campaign expenditure.
  - Registered political parties are entitled to a reimbursement of 22.5 per cent of declared election expenses, subject to a threshold of votes obtained.
  - Tax credits are available for small donations on a sliding scale up to £460. These tax incentives have considerably increased the share of individual donations.<sup>35</sup>
  - There are no limits on donations to political parties at federal level, although donations are restricted to Canadian citizens and permanent residents, and corporations and Trade Unions operating in Canada.
  
3. USA: Campaign finance regulation is based on the Federal Election Campaign Act 1971, which created a system of public funding:
  - 'Check off' system by which individual US citizens can indicate on income tax returns that \$3 of their tax goes to the Presidential Campaign Fund. The money is used to match donations by individuals to campaigns, grants for national party conventions, and grants to cover the expenses of general election campaigns.
  - There are limits on donations from individuals and Political Action Committees (PACs): the effect of these limits has been weakened by the Supreme Court decision in Buckley v. Valde, which held that contribution and expenditure limits restricted First Amendment rights relating to freedom of speech and association, and other decisions relating to the use of 'soft money'.

<sup>33</sup> Details taken from Fifth Report of the Committee on Standards in Public Life, *The Funding of Political Parties in the United Kingdom*, Appendix 1, and from, *Funding of Political Parties and Election Campaigns* (IDEA, 2003).

<sup>34</sup> For details see, *Funding of Political Parties and Election Campaigns* (IDEA, 2003), p. 130.

<sup>35</sup> *Ibid*, p. 39.

### Appendix 4: State Funding in the UK

State funding already exists in the UK, and accounts for around 40 per cent of the cost of party activity in a non-election year and around 60 per cent in an election year. The main components of state support are:

- Short money (introduced in 1975) and Cranborne money (introduced in 1996) to fund opposition parties in the House of Commons and House of Lords respectively. Both were increased very significantly in 2001-2 and 2002-3;
- free airtime for party political and party election TV and radio broadcasts;
- free postage and distribution of election communications;
- Policy Development Grants under the Political Parties, Elections and Referendums Act 2000, administered by the Electoral Commission;
- and for the governing party, the salaries of special advisers.

#### Estimated cost of Party politics

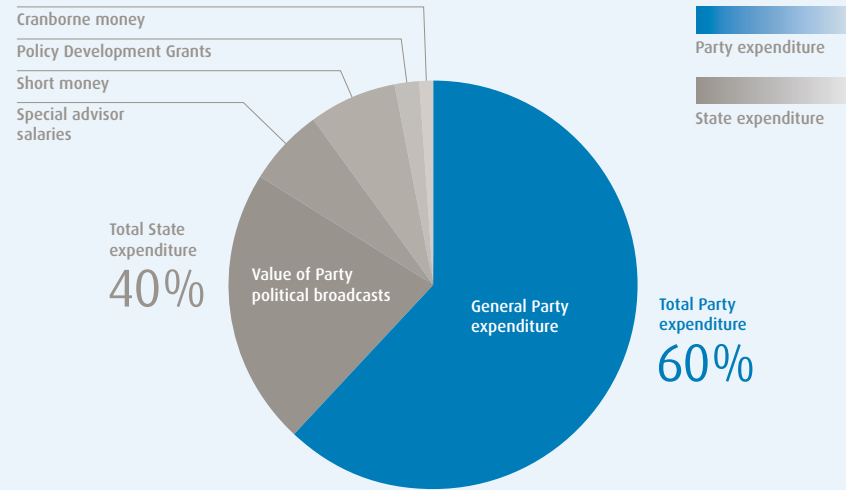
	Non-election year	Election year
General party expenditure	£54,100,000	£54,100,000
Election campaigning	-	£41,300,000
<b>Private Party total</b>	<b>£54,100,000</b>	<b>£95,400,000</b>
Value of Party political broadcasts	£20,000,000	£20,000,000
Value of Party election broadcasts	-	£80,000,000
Free postage	-	£21,000,000
Special advisor salaries	£5,500,000	£5,500,000
Short money	£6,200,000	£6,200,000
Policy Development Grants	£2,000,000	£2,000,000
Cranborne money	£680,000	£680,000
<b>State total: in cash and in kind</b>	<b>£34,380,000</b>	<b>£135,380,000</b>
<b>Total cost of Party politics</b>	<b>£88,480,000</b>	<b>£230,780,000</b>
<b>State total as percentage of total</b>	<b>39%</b>	<b>59%</b>

Sources: House of Commons Library, Electoral Commission (campaign spending), Party accounts, Home Office (free post), Institute of Public Policy Research (PPBs), Independent Television Association (PEBs), HC Deb 22 July 2004, c466-70W (special adviser salaries).

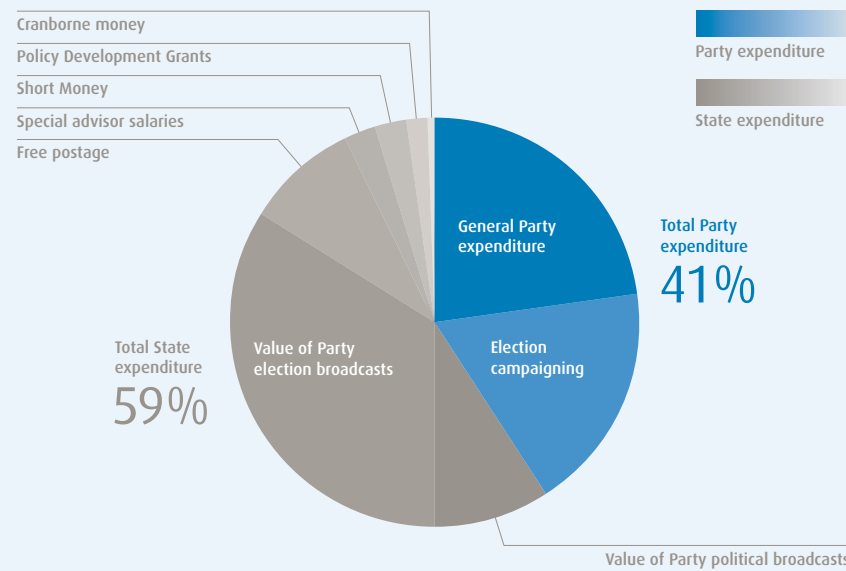
See also pages 7 and 10 for further information on the cost of politics in the UK.

Comparison of estimated state and private party funding of politics

Non-election year



Election year



Appendix 5: Eligibility for GEF: votes cast for each party at the 2005 General Election

Parties winning seats in the House of Commons (no. of seats)		Parties not winning seats in the House of Commons	
Labour (355)	9,552,436	UKIP	605,973
Conservative (198)	8,784,915	Green	283,414
Liberal (62)	5,985,454	BNP	192,745
SNP (6)	412,267	Others	418,948
DUP (9)	241,856		
PC (3)	174,838		
Sin F (5)	174,530		
UU (1)	127,414		
SDLP (3)	125,626		
Respect (1)	68,094		
<b>Total</b>	<b>25,647,430<sup>36</sup></b>		<b>1,501,080</b>
<b>Overall total votes cast</b>			<b>27,148,510</b>

Source: House of Commons Library, using data from Electoral Commission, Home Office, Institute of Public Policy Research and Independent Television Association.

See also Andrew Tyrie, *Our Politics is Healthy. Our Party Finances Stink*, New Politix Network (March 2003).

<sup>36</sup> Votes cast for Independents (2) and Speaker (1) are included in the second column.

### Appendix 6: Labour Party Funding

Labour's donor base has the outward appearance of having been diversified in recent years away from a small clique of union bosses. In fact, a handful of union bosses (two of which are UNISON and Amicus) and another handful of individual donors, provide the lion's share of Labour funding.

According to their accounts, the central Labour Party raised £29.3 million in 2004:

- About half of Labour's income comes from the Trade Unions, in two main forms: £7.6 million in affiliation fees and nearly three-quarters of the donations they receive.
- Labour's donations total £9.0 million.<sup>37</sup> 72 per cent comes from the Unions and 24 per cent from individuals, including £1 million from Lord Drayson and £500,000 from Sir Christopher Ondaatje; other big individual donors include William Haughey OBE and Sir Ronald Cohen in 2004, and Lord Sainsbury and Lakshminivas Mittal in 2005.
- Labour raises £3.6 million through commercial income. This is explained in Labour's Annual Report as income from Party conferences and dinners.
- Labour receives £3.5 million from membership subscriptions; the Labour Party has 201,000 members. Constituency Labour Parties generate only low levels of income from member subscriptions, but tend to have relatively substantial levels of property income.
  - £0.9 million is received through fund-raising.
  - £0.6 million comes in benefits in kind.
  - £0.4 million is received as Policy Development Grants from the Electoral Commission.
  - £0.3 million is donated in legacies.
  - £0.04 million is earned as interest.
- The Labour Party accounts declare £3.4 million as 'other' unspecified income.

Labour Party accounts conceal substantial loans. This may partly explain the entry on the balance sheet for overdrafts and short-term loans of £6.9 million in 2004.

<sup>37</sup> The donations Labour registered with the Electoral Commission totalled £13.6 million, rather than the £9 million listed in Labour's accounts; likewise, the donations the Liberal Democrats registered with the Electoral Commission totalled £2.5 million (Federal Party and Parliamentary Party), rather than the £2.1 million listed in the Liberal Democrat's accounts. There is no immediate explanation for this discrepancy. The percentages of donations from various sources given are drawn from the donations registered with the Electoral Commission.

### Appendix 7: Liberal Democrat Funding

According to their accounts, the Liberal Democrats raised £5.1 million in 2004, largely from donations:

- £2.1 million comes from donations. Of this, 52 per cent comes from official sources, such as Short money, 27 per cent from companies (principally the Joseph Rowntree Reform Trust) and 15 per cent from individuals (the largest individual donation being £100,000).
- £0.8 million is income from the Party conferences.
- £0.7 million comes from membership subscriptions; the Liberal Democrats have around 73,500 members.
- £0.7 million is raised from 'recharges to party bodies'.
- £0.4 million is received as Policy Development Grants from the Electoral Commission.
- £0.1 million is income from selling the 'Liberal Democrat News' newspaper.
- £0.05 million is benefits in kind.
- £0.05 million is affinity income from deals with credit cards and energy companies.
- £0.01 million is earned as income on investments.
- The Liberal Democrat accounts declare £0.1 million as 'other' unspecified income.

It is not known whether the Liberal Democrats have been in receipt of undeclared loans.

## Appendix 8: Trade Unions: funding and influence

Labour's financial relationship with the Trade Unions was turbulent in the run-up to the last Election:

- in February 2004, the RMT was disaffiliated from Labour for funding the Scottish Socialist Party;
- in June, the FBU chose to disaffiliate from Labour, having decided to support the SNP in Scotland and Respect elsewhere;
- in July, the GMB decided to stop funding the Labour Party centrally, and instead only to back Labour MPs and candidates who support their policies.

In the same month, the Labour Party attempted to safeguard funding in the Warwick Agreement. The Labour Party pledged to:

- keep the Royal Mail in public hands, with telecom regulation focusing on service choice and reliability as well as network competition.
- introduce four weeks' paid holiday for every worker, exclusive of bank holidays. This will benefit two million workers currently forced to count bank holidays as part of their annual leave;
- introduce training for pension trustees, and ensure members of schemes make up 50 per cent of trustees;
- extend the two-tier workforce protection in local government across the public services;
- promote a public procurement policy which 'safeguards jobs and skills'.

Union influence appears to have persisted since Warwick:

- In September 2004, Brendan Barber, the head of the TUC, said that Tony Blair must demonstrate that Warwick does not 'represent a kind of pre-election stitch-up - it genuinely represents a commitment to a joint programme...to deliver a better deal for the people of Britain at work.'<sup>38</sup>
- In June 2005, the head of the GMB, Paul Kenny, called on Tony Blair to set out a timetable for his departure by the 2006 Party conference.<sup>39</sup>
- In September 2005, Brendan Barber called for 'an orderly transition...in time for the new leader to stamp their personal authority on the government' and stated that 'the spirit of Warwick' had 'yet to be honoured.'<sup>40</sup>
- In September 2005, Derek Simpson, the General Secretary of Amicus, stated that Tony Blair should start preparations to hand over power, and claimed there were disturbing signs that the Warwick Agreement would be watered down.<sup>41</sup>

<sup>38</sup> BBC, Unions warn Blair: 'no stitch up', 9th September 2004.

<sup>39</sup> BBC, Union urges Blair to leave early, 6th June 2005.

<sup>40</sup> BBC, Blair must go quietly - TUC boss, 8th September 2005.

<sup>41</sup> BBC, Union urges Blair handover plan, 10th September 2005.

“David Cameron’s plan, largely devised by Andrew Tyrie, one of his brightest MPs, is ingenious: a cap on annual donations by individuals or organisations; tax relief on donations up to £3,000 a year, with matching funding for non-taxpayers; plus state support related to votes won at the previous general election”.

Peter Riddell, *The Times*,  
21 March 2006



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