

Party Funding: the View from the Grassroots

By James Graham, Campaigns and Press Officer

August 2006

Summary

The New Politics Network has been surveying activists of political parties this summer about their views on party funding and the level of activity within their local parties (see Appendix 2 for more details). On the matter of activists' views on party funding, we have found the following:

- A clear consensus for reducing spending limits to £15 million, introducing a cap on individual donations at around £50,000 per year and tax relief on donations to political parties.
- Significant support for matched funding on donations and money-per-supporter schemes such as the Power Inquiry's "voter voucher" proposal.
- Overwhelming support for restricting public funds to parties that are internally democratic and open to anyone to join (this would exclude racist parties such as the BNP).
- Significant cross-party opposition to banning donations from trade unions (including nearly half of Conservative activists), but also strong cross-party consensus that individual union members should have more say over how their money is spent (including more than half of Labour activists).

Overall, we believe these findings suggest that a cross-party consensus on reforming the way political parties is within reach.

The results from the section on local parties is currently being analysed and will be published in September as part of our final submission to the Hayden Phillips Review.

Spending Limits

Activists from all three main political parties support lowering national spending limits. There is a clear consensus among Labour and Conservative activists for a cap of around £15 million, while the Liberal Democrats would go further still.

1: The amount each political party can spend nationally in a general election is currently restricted to approximately £20 million. Do you think this should be changed? If so, what to?

Party (sample size)	Median Figure	Excluding "antis"*
Labour (104)	£15 million	£15 million
Conservatives (72)	£15 million	£15 million
Lib Dems (153)	£10 million	£10 million
Other Party Members (32)	£7.5 million	£5 million
Other Respondents (88)	£10 million	£10 million

* This figure excludes the responses from those who were opposed to a limit at all.

Cap on Donations

There is a clear consensus for a limit on individual donations of some kind. There is less consensus however on what that limit should be, however £50,000 would appear to be a "best fit" as it is favoured by Labour activists and is Conservative Party policy (even if the majority of Conservative activists would favour a higher cap).

2: Some people argue that there should be a limit or cap on donations to political parties. Do you agree with this?

Party (sample size)	Yes	No	Don't Know
Labour (104)	64.4%	32.7%	2.9%
Conservatives (72)	60.3%	39.7%	0%
Lib Dems (154)	90.3%	8.4%	1.3%
Other Party Members (32)	75%	18.8%	6.2%
Other Respondents (88)	81.8%	13.6%	4.5%



THE Joseph Rowntree
REFORM TRUST LTD

New Politics Network 6 Cythnia Street, London N1 9JF
Email info@new-politics.net **Web** www.new-politics.net
Telephone +44 (0)20 7278 4443 **Fax** +44(0)20 7278 4425

new
politics
network

2a: If you do support a cap, how much should donations from individuals be capped to per year?

Party (sample size)	Median Figure	Excluding "antis"*
Labour (97)	£50,000	£10,000
Conservatives (67)	£250,000	£50,000
Lib Dems (150)	£10,000	£10,000
Other Party Members (32)	£10,000	£10,000
Other Respondents (84)	£10,000	£5,000

* This figure excludes the responses from those who were opposed to a limit at all.

Principles

Not surprisingly, there is a strong consensus that the financial health of parties is fundamental to parliamentary democracy, which is one of the main assumptions that Sir Hayden Philips is starting from.

Both Liberal Democrats and Labour activists feel that public funding is necessary, although the Conservatives dissent from this view. There is also broad agreement that public funding should be directed at a local level; a large minority of Conservative activists disagree with this but they do not constitute a majority.

3: The financial health of our political parties is fundamental to the health of our parliamentary democracy.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (107)	91%	6%	3%
Conservatives (75)	83%	8%	10%
Lib Dems (155)	84%	11%	3%
Other Party Members (32)	69%	9%	22%
Other Respondents (89)	53%	16%	31%

4: Increased public funding of political parties is necessary to help encourage democratic engagement.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (163)	56%	12%	31%
Conservatives (74)	33%	5%	61%
Lib Dems (154)	67%	12%	19%
Other Party Members (32)	53%	16%	31%
Other Respondents (88)	41%	11%	48%

5: Any additional public funding should go to local parties on the basis of local support.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (104)	43%	21%	36%
Conservatives (72)	39%	17%	45%
Lib Dems (155)	60%	19%	21%
Other Party Members (31)	42%	23%	26%
Other Respondents (88)	45%	32%	24%

It is not surprising that a large majority of Labour activists believe that funding systems should respect the existing history and structures of political parties; this has been one of the basic tenets that Labour have been pushing in the debate with regard to its roots in the trade union movement and system of affiliate organisations. Significantly however, there is broad agreement from the other two main parties on this issue.

6: Any system of party funding must respect the history and structures of political parties.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	79%	11%	10%
Conservatives (73)	44%	25%	32%
Lib Dems (152)	40%	29%	31%
Other Party Members (30)	27%	37%	36%
Other Respondents (88)	14%	41%	45%

The idea that political parties should be able to 'opt out' of the funding system - not be subject to caps but subsequently not be entitled to public funding - has been mooted by the Conservative Party nationally. There is overwhelming disagreement on this issue from the other parties however, while Conservative activists themselves are split on the issue.

7: Political parties should be allowed to opt out of public funding: if they don't receive any public money, they shouldn't have to introduce limits to how they raise and spend their money.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (104)	13%	13%	74%
Conservatives (73)	39%	23%	39%
Lib Dems (154)	13%	12%	76%
Other Party Members (31)	19%	23%	58%
Other Respondents (89)	25%	15%	61%

We were surprised and encouraged that an overwhelming majority of respondents agreed that party funding should be restricted to parties that are internally democratic and open to anyone to join. This would of course exclude racist parties such as the British National Party, the constitution of which excludes certain ethnic groups from being able to join the party.

8: Political parties should only be entitled to party funding if they are internally democratic and open to anyone to join.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (106)	86%	8%	7%
Conservatives (74)	74%	11%	15%
Lib Dems (155)	91%	5%	5%
Other Party Members (32)	81%	6%	12%
Other Respondents (87)	78%	8%	14%

Proposals

We proposed six possible options for changing how parties are funded and can spend their money. Of these, one option emerged as a strong contender for consensus while two others enjoyed a significant degree of support.

Tax relief on donations was supported by a majority of activists from the three main parties; surprisingly it was most popular among Conservative activists who were broadly opposed to all other systems of state support.

Of the other options, money-per-supporter, where voters could choose to allocate a small amount of public funding to the party of their choice to fund local campaigning, was broadly supported by Labour and Lib

Dem activists, and broadly opposed by Conservatives. A majority of Lib Dem activists supported a matched funding system which also enjoyed significant support from Labour activists, but a majority of Tories are opposed.

Money-per-vote was supported by a majority of Lib Dems, but Labour activists were split and this option was particularly opposed by Conservatives (again, this is at variance to their party policy in support of such a system). Subsidising campaign expenditure and increasing local spending limits were both broadly opposed.

9: Donations to political parties should be subject to tax relief, just like donations to charities.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	52%	11%	36%
Conservatives (74)	77%	7%	16%
Lib Dems (154)	62%	10%	28%
Other Party Members (31)	48%	10%	42%
Other Respondents (86)	44%	8%	48%

10: Individuals should be allowed to decide if they want a small amount of public funding to be given to the party of their choice to be used by that party for local activity.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (104)	44%	19%	34%
Conservatives (72)	30%	22%	48%
Lib Dems (153)	47%	24%	30%
Other Party Members (31)	32%	16%	52%
Other Respondents (85)	45%	25%	30%

11: Small donations should be matched with public money, pound for pound, to encourage parties to engage more with the public.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	43%	16%	40%
Conservatives (73)	29%	18%	53%
Lib Dems (154)	55%	24%	21%
Other Party Members (31)	42%	29%	29%
Other Respondents (84)	27%	24%	49%

12: Political parties should get public funding proportionate to the number of votes cast for them at the previous general election.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	43%	14%	43%
Conservatives (72)	24%	14%	63%
Lib Dems (154)	52%	15%	33%
Other Party Members (30)	27%	13%	60%
Other Respondents (86)	27%	10%	62%

13: Election candidates should have 50% of their election expenditure paid for by the state so long as they got at least 10% of the vote to encourage local campaigning.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	40%	16%	45%
Conservatives (72)	25%	11%	64%
Lib Dems (154)	48%	19%	32%
Other Party Members (31)	32%	16%	51%
Other Respondents (85)	29%	24%	47%

14: The amount of money that each candidate can spend in an election should be increased to encourage local campaigning.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	38%	15%	47%
Conservatives (71)	35%	17%	48%
Lib Dems (153)	34%	24%	43%
Other Party Members (31)	19%	23%	58%
Other Respondents (84)	23%	32%	45%

Trade Unions

We decided to ask a specific set of questions concerning trade union donations because we are particularly concerned that this issue may prove to be the main stumbling block which threatens to derail the whole review process. We were therefore pleasantly surprised by the results and feel that among activists at least there is a real chance at gaining a consensus across the main parties.

Unsurprisingly, an overwhelming majority of Labour activists oppose banning trade union donations and feel unions play an important role in promoting participation. Significantly however, a majority of Lib Dem activists also oppose a ban while there is no clear consensus among Conservatives.

15: Donations to political parties by trade unions should be banned.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	1%	3%	96%
Conservatives (74)	47%	11%	42%
Lib Dems (153)	25%	19%	55%
Other Party Members (31)	42%	16%	42%
Other Respondents (86)	27%	13%	59%

16: Trade Unions play an important role in encouraging participation in our democracy.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (106)	95%	4%	1%
Conservatives (73)	26%	18%	56%
Lib Dems (153)	46%	28%	26%
Other Party Members (32)	34%	38%	28%
Other Respondents (86)	47%	20%	32%

The Power Inquiry proposal of restricting trade union contributions to around £100 per member enjoyed no support from any party, but a much lower cap of around £5 per member enjoyed broad support from both Conservative and Lib Dem activists.

17: Donations to political parties by trade unions should be restricted to an affiliation fee of around £5 per member and no more.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (104)	14%	19%	66%
Conservatives (70)	45%	19%	37%
Lib Dems (151)	45%	23%	32%
Other Party Members (31)	42%	16%	42%
Other Respondents (84)	38%	29%	33%

18: Donations to political parties by trade unions should be restricted to around £100 per member and no more.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (103)	20%	22%	58%
Conservatives (68)	15%	15%	70%
Lib Dems (147)	18%	29%	54%
Other Party Members (31)	39%	29%	32%
Other Respondents (82)	30%	26%	44%

The results that surprised us the most however were that a majority of Labour activists both supported the idea of trade unions acting as “brokers” - encouraging their members to donate to the party directly and treating such donations as individual contributions - and also that individual members should have more say over how much is donated to the party. Just 17% of Labour activists disagreed with the notion that union members should have more say.

The objection to trade union funding has always been that it is undemocratic and in the hands of very few people. The fact that so many Labour activists agreed with the statement that union members should be given more say over how their money is spent indicates that trade unions claims that such criticisms are politically motivated and do not match reality are wide of the mark.

19: Trade unions should be allowed to collect money from their members on behalf of the political party of their choice. Money raised in this way should be treated as individual donations.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (104)	67%	16%	17%
Conservatives (73)	40%	10%	50%
Lib Dems (153)	56%	11%	33%
Other Party Members (30)	60%	17%	23%
Other Respondents (86)	48%	15%	36%

20: Individual trade union members should have more say over how much money is donated to political parties.

Party (sample size)	Agree/ Agree Strongly	Neither agree/ disagree	Disagree/ Disagree Strongly
Labour (105)	56%	27%	17%
Conservatives (71)	80%	6%	14%
Lib Dems (153)	88%	8%	4%
Other Party Members (31)	94%	3%	3%
Other Respondents (87)	80%	13%	8%

Conclusions

The New Politics Network supports the Review of the Funding of Political Parties and in particular its objective that the funding system must “contribute to greater democratic engagement.” For some time now the Network has been pushing forward the case for how the funding system might be designed to do this and we have published a number of pamphlets on the subject including *Strong Parties, Clean Politics* (2003) and *Life Support for Local Parties* (2004).

We are keenly aware however that for a system to be introduced it must enjoy broad support amongst both political parties themselves and the public at large. While a number of opinion polls have been conducted in recent years, with mixed results¹, very little research has been conducted to look at what party activists think, who will after all be expected to make any new system work.

We believe our survey of party activists suggests there is more consensus at the grassroots than the rhetoric of senior party politicians might suggest.

Funding Systems

There is a clear consensus among party activists for reducing spending limits to £15 million, introducing a cap on individual donations set at around £50,000 and introducing tax relief. We believe that these views are broadly in line with public opinion and are thus realistic.

Other options for changing the system would be more controversial. Given the broad support received amongst both Labour and Liberal Democrat activists however, we believe that matched funding and money-per-supporter systems (including the Power Inquiry’s voter voucher) are still worthy of consideration and wider debate. The Electoral Commission’s proposal for a hybrid system combining tax relief with matched funding for donations from non-taxpayers (e.g. pensioners on a fixed income) could certainly form the basis of a consensus.

The key test must always be whether they promote engagement. We believe that such schemes would achieve precisely this as they would encourage political parties to sign up and thus actively engage with as many members of the electorate as possible. However, the ‘price’ that parties would have to pay

¹ A summary of recent opinion polls can be found on our website: <http://haydenphillipsreview.org.uk/background/public-opinion/>

for any system that is more generous than that would be tighter spending limits and caps on donations, something which enjoys substantially more support amongst the public than political parties themselves.

The Conservative Party has made a lot of running in calling for a money-per-vote system. We are critical of such systems as we believe they will do nothing to encourage engagement and tend to create a culture of dependency between the party and the state. It is clear from this survey that party activists are not keen on such proposals either - and are opposed by two-thirds of activists of the Conservative Party itself. We therefore believe that the Review should not seriously consider such a system.

Trade Unions

The degree of agreement on trade unions surprised and encouraged us. We believe the way forward is now clear and would enjoy the support of party activists across the political spectrum.

Legislation affecting trade unions should be changed so that members are regularly informed about how the union’s political fund works and given the opportunity to opt out simply and without fuss (i.e. ticking a box on a form or sending an email, not having to phone a helpline and negotiate with a member of staff).

So long as it can be demonstrated that union members have given their informed consent to contribute to the political fund, there is no need to either cap donations from unions or for the existing legislation requiring unions to ballot their members on the issue every 10 years. The amount that each individual contributes via their union should be auditable and subject to the cap on personal donations.

Eligibility for Funding

Finally, we believe that the overwhelming support we found for public funding to be restricted to internally democratic and open parties means that the Review should look into excluding racist parties such as the BNP.

We are aware that this survey has not covered all issues, mainly for the sake of simplicity, and a number of these issues will be explored in our final submission to the Hayden Phillips Review.

Appendix 1: Glossary of terms used

Matched Funding: a system whereby money donated by an individual is matched by state support. The New Politics Network propose a system for matching the first £100 of each donation pound-for-pound. The Electoral Commission propose a matched funding system for donations from people who do not pay tax and thus are ineligible for tax relief at around 23p for every pound donated.

Money-per-supporter: any of a number of schemes whereby political parties get a fixed amount of money for each supporter they sign up. The New Politics Network have proposed a system whereby people could sign up for this on their voter registration form and on demand, as is the case for postal voting. The Power Inquiry have proposed a “voter voucher” system whereby people would be given a voucher with their ballot paper in a general election.

Money-per-vote: any of a number of schemes whereby political parties receive a fixed amount of money for each vote they get in an election. The Conservative Party propose establishing a General Election Policy and Communication Fund that would be based on the votes of the preceding two General Elections.

Spending Limits: national political parties are currently restricted to spending no more than £30,000 per constituency contested which comes to roughly £20 million nationwide. In addition, individual candidates have a spending limit of around £12,000. The Electoral Commission proposes reducing the national party limit by around 25% and doubling the candidates' spending limit.

Tax Relief: donations to political parties (up to a fixed amount) would be eligible for tax relief, which is passed onto the party. This comes to 23p for every pound donated. The Giftaid scheme for charities works in this way and tax relief was proposed by the Fifth Report of the Committee on Standards of Public Life (1998), chaired by Lord Neill, which largely proposed the existing system regulating donations to political parties. The Electoral Commission propose tax relief combined with a limited matched funding system for non-taxpayers. The Conservative Party also support tax relief.

A wide variety of other systems could also be adopted. For more information, see the New Politics Network's website <http://haydenphillipsreview.org.uk>.

Appendix 2: Background and Methodology

We have conducted this survey in association with the Joseph Rowntree Reform Trust as part of our submission to the Hayden Phillips Review on the Funding of Political Parties. We posted a copy of the survey to the local parties of the three main political parties and more than 200 identified Plaid Cymru and

Scottish National Party activists and councillors. In addition, the survey was accessible online.

See the table above for a breakdown of the responses we received from each of the three main political parties, including their respective roles in their local party.

Respondents from the main political parties

Party	Total Respondents	Role in local party								
		Chair	Secretary	Treasurer	Membership Secretary	Other Local Exec	Primary Councillor	Parish / Town Cllr	Candidate	Agent
Conservatives	75	40	4	2	2	9	15	2	4	6
Labour Party	106	12	39	10	9	16	11	3	4	3
Liberal Democrats	155	12	5	7	93	14	24	20	14	1

Notes: "Primary Councillor" includes all members of County, District, Metropolitan and Unitary Councils. "Candidate" includes all approved Parliamentary and Assembly Candidates. Some individuals may perform multiple roles within their local party.

In addition, we received the following submissions from members of the following other political parties:

Party	Total Respondents
British National Party	2
Common Good	1
English Democrats Party	1
Green Party / Scottish Greens	5
Liberal Party	1
Mebyon Kernow	1
Plaid Cymru	9
Scottish National Party	9
Ulster Unionist Party	1
Did not say	3

Finally, we also received contributions from a number of non-party members. They expressed support for the following parties:

Party	Total Respondents
British National Party	1
Conservatives	11
Green Party / Scottish Greens	12
Labour Party	11
Liberal Democrats	17
Plaid Cymru	1
Respect	1
Social Democratic and Labour Party	1
United Kingdom Independence Party	3
Did not say/support no party	30

We regard the number of responses from the three main political parties as sufficient to provide a rough snapshot of grassroots opinion. However, we do not regard the survey results from minor political parties and other individuals as particularly representative and are including these results for the sake of completeness only.



The New Politics Network the leading political and campaigning think tank, concerned specifically with issues relating to democratic renewal and popular participation in politics. We work with a wide range of groups and individuals to provide a forum to look at emerging ideas in society. Our goal is to provide an independent and innovative debate on the future of politics.

The Joseph Rowntree Reform Trust Ltd is a limited company, paying tax on its income. It is therefore free to give grants for political, campaigning or lobbying purposes. It does so to promote political reform and constitutional change as well as the interests of social justice. Its principal concern is the continuity of reform within the democratic system.

