



Funding Democracy

Breaking the deadlock

A Draft Bill for consultation

with forewords from

Andrew Tyrie MP, Alan Whitehead MP and Lord Tyler

"This Bill is a big step in the right direction. It takes us towards the minimum required to command public confidence: the eventual removal of institutional, trade union and corporate donations, with a tight cap on individual donations. Only with those comprehensive reforms in place can we expect the public to believe that influence, access and honours can no longer be bought."



Andrew Tyrie MP
Con, Chichester

"Any solution needs to recognise the different historical circumstances between political parties. Distinguishing affiliations from donations is important as far as the way any political party will need to operate in the future and helps pave the way for a proper relationship between what the state provides and what parties raise themselves.."



Alan Whitehead MP
Lab, Southampton Test

Foreword to the Draft Bill

No matter the source - whether trades' unions, big business or rich individuals - the public perceives that money talks in politics.

The impression that parties, whether in Government or Opposition, are steered by cheque books rather than the votes is a corrosive one. But an overwhelming recognition of the need for reform, in all the political parties, has not been translated into serious action to achieve it. For too long, our political establishment has consigned the issue to the "too difficult" pile, as conflicting interests and mutual suspicion win out over the public interest.

Yet reform need not be "too difficult". Over the past year, a number of parliamentarians have worked together to commission a draft Bill to stimulate practical ideas for reform. This shows that reforms can be phased in such a way that they need not disproportionately disadvantage any one party, either in the short or long term. And ways have been examined in which existing public funds already used to

benefit political parties could be reallocated, to 'remove big money from politics' without substantial additional public funding.

The draft Bill, for phased reform of political funding, is based on the scheme recommended by Sir Christopher Kelly and his Committee on Standards in Public Life. It also draws on the best of the Hayden Philips review, together with work by the Commons Select Committee, and seeks to deal with new regulatory challenges presented by third party campaigning organisations.

It is very much a draft for discussion, not the final word. The signatories do not agree with every word of it. However, they are all agreed in the need to stimulate renewed commitment to reform.

To respond to the detail of this Draft Bill visit the consultation website
<http://www.fundingukdemocracy.org>
or by email

consultation@fundingukdemocracy.org.
The deadline for responses is 30 June 2013.

How all three parties promised reform in 2010 - see page 23

Funding Democracy - Breaking the deadlock
<http://www.fundingukdemocracy.org/>

Background

There is widespread agreement that our representative democracy in the UK is vulnerable to the influence of well-financed interest groups and wealthy individuals. Successive scandals led to the commitment in the 2010 Coalition Agreement to “take big money out of politics”.

However, a series of investigations of the increasingly unsatisfactory situation, culminating in the examination and recommendations of the Committee on Standards in Public Life (“*Political Party Finance*”, November 2011), have not led to any remedial action. This deadlock has yet to be broken by any “official” negotiations between the three major parties.

A backbench cross-party initiative, firmly rooted in the work of the CSPL and previous analysis in the Hayden Phillips Review, has resulted in the attached Draft Bill. The purpose is to bring the practical issues out into the open again, and to seek consensus on the timetable and priorities for *incremental* reform. The Draft Bill by its very presence shows that reform “can be done”, and shows a potential blueprint for how.

The Bill would introduce a donations cap, applicable to all donors including trade unions. However, affiliation fees would be treated as “bundled” individual donations, providing trade unions (and, for that matter, any similar membership organisation) meet certain conditions set out by the Committee on Standards in Public Life in their report. Existing spending limits would be reduced by 15%. There appears to be broad agreement about this approach.

There were, however, two key objections to the CSPL’s report. First, that no more public money could be spent on politics when the public themselves are feeling such a tight squeeze on household finances. Secondly, that the impact of a cap on the parties would be too dramatic, too fast. The Bill seeks to deal with these problems, both by including a cap on the total public spend on political parties – which could be set

for the time being at current levels – and by introducing the donations cap over a period of ten years.

This will restrain any additional call on the public purse until the donations cap has been reduced, and until the public finances are in a healthier position. It will also enable parties to change their donations profile over time. This twin-track response to the key criticisms of the CSPL’s report could enable the otherwise very sound architecture they proposed for party political finance to progress towards implementation.

The issues this Draft Bill seeks to deal with cannot wait for the next scandal. Equally, Parliament cannot wash its hands of responsibility. Without strengthened legislation, the independent Electoral Commission

cannot secure adequate defences against disproportionate political influence for those with disproportionate sums of money to spend.

In particular, the current regime is woefully inadequate to deal with the possibility of massive investment in “third-party” political campaigning, which could fall largely outside the current restrictions. The Draft Bill shows how it may be possible to learn the lessons of recent US “super PAC” campaigning, by anticipating and limiting possible displacement of donations from the parties themselves into

external campaigning organisations.

The Draft Bill is an opportunity for Parliament to reconsider the recommendations both of the CSPL and of the Hayden Phillips review. The intention in producing a draft Bill is then to move from consideration to conclusions, so that a long chapter of negotiations, talks and deadlock on this issue may finally be brought to an end.

Paul Tyler
Lib Dem, House of Lords

Public funding for politics: finding savings

One of the key objections to the Committee on Standards in Public Life's proposals, when they were published, was that they involved spending approximately £23m per year of additional public money on politics, at a time of austerity.

The Draft Bill which follows permits a flexible regime of public financing according to the funds available. A lesser amount could be made available in the early years, while the cap on individual donations remains at a level higher than £10,000.

To fund this within the existing envelope of public spending, the Draft Bill

- ends the existing annual £2m 'Policy Development Grant'
- identifies large savings from the present 'freepost' election address mailings sent by each candidate to electors or households at both UK General and European Elections.

The Bill instead institutes a system of election address booklets, reflecting the practice for Mayoral and for Greater London Authority elections.

Recent Parliamentary Answers show that this could yield a significant saving to the public purse.

The table below shows the current costs of delivering multiple *separate*, individually produced mailings to each elector or household. It goes on to project the potential savings from moving to delivery of a *single* election address booklet, based on the current cost for this type of mailing at London Mayoral elections.

The estimated saving of some £47m over six years could be used in full or in part to pay for the other public funding schemes in the Bill.

An estimated saving of £47m could be used to pay for other public funding

Cost of freepost mailings	England & Wales per elector	Scotland per elector	England and Wales total	Scotland total	GB total
Individual mailings - general election	£0.71	£0.53	£28,655,271	£2,055,519	£30,710,790
Individual mailings - European Parliament	£0.88	£0.71	£35,439,760	£2,719,070	£38,158,830
Estimated GB mailing cost if in booklet	£0.24	£0.24	£9,738,034	£927,850	£10,665,884
<i>Saving based on booklet at General Election</i>	£0.47	£0.29	£18,917,237	£1,127,669	£20,044,906
<i>Saving based on booklet at European Election</i>	£0.64	£0.47	£25,701,726	£1,791,220	£27,492,946
Total savings over six years			£44,618,962	£2,918,889	£47,537,851

Source: Parliamentary Answers: HL Deb, 18 March 2013, c100W and HL Deb, 21 March 2013, c171W
Electorate figures taken from House of Commons Research Note: *General Election 2010*

PART 1

CONTROL OF FUNDING FOR POLITICAL PURPOSES

Introductory

Additional restrictions to apply to funding for political purposes

1. The requirements of this Part of this Act in respect of represented political parties are in addition to such of requirements of Parts 4 and 4A of the Political Parties and Referendums Act 2000 (“the 2000 Act”) as apply to such parties.

Meaning of “represented registered party”

2. – (1) For the purposes of this Act, a party registered under Part 2 of the 2000 Act is “a represented registered party” if the first and second conditions met in respect of the party.

(2) The first condition is that there are at least two members of any one of the following legislatures who belong to the party –

- (a) the House of Commons;
- (b) a devolved legislature; or
- (c) the European Parliament.

(3) The second condition is that each of those members –

- (a) has complied with such preliminary requirements (such as the taking of an oath or a declaration of interests) as members of that legislature are required to comply with in order to participate fully in its proceedings; and
- (b) is not disqualified from sitting or voting in that legislature.

Cap on donations and loans etc from a single source

Cap on total of relevant benefits received from any person

3. – (1) In respect of any represented registered party, the relevant benefits which may be accepted from any person (“P”) in respect of a year must not exceed the maximum amount.

(2) In subsection (1) –

“the maximum amount” is to be understood in accordance with in subsections (3) and (4);

“relevant benefits”, in relation to P, means the aggregate of –

- (a) all donations connected with the represented registered party (see section 4) which are accepted from P;
- (b) all transactions connected with the represented registered party (see section 5) which are entered into by P;

“year” means –

- (a) any period of 12 months which starts on 1 January 2014; and
- (b) each subsequent 12 month period.

(3) The maximum amount, in relation to the year commencing on –

Clause 1

This Clause makes clear that the provisions of the Bill build on the provisions of the existing regulatory regime set out in the Political Parties, Elections and Referendums Act 2000 (“PPERA”).

Clause 2

This Clause defines which parties will be covered both by the controls on donations and expenditure in the Bill, and also by the provisions for public funding. In the present draft, it encompasses those with two or more members in any one of the following: the House of Commons; a devolved legislature; or the European Parliament. It may be appropriate to exclude those with only European Parliament representation, since there is already substantial public funding to the European parties. However, this would mean such parties would also not be subject to the same restrictions on donations. Views are welcomed on how best to approach this issue.

Clause 3

Clause 3 defines a cap on a party’s income from a single source, to be introduced over ten years. The cap covers both donations and loans (see clauses 4 and 5). The source could be a trade union acting corporately, a business, or an individual. However, Clause 6 (see below) permits trade union affiliation fees to be treated as individual donations, in certain limited circumstances. The cap itself would begin at £50,000 in January 2014, reduce to £40,000 in January 2015, £30,000 in January 2016, £25,000 in January 2017, £22,500 in January 2018, £20,000 in January 2019, £18,500 in January 2020, £15,000 in January 2021, £12,500 in January 2022 and finally to £10,000 in January 2023. The graphs on page 23, based on figures

- (a) 1st January 2014, is £50,000;
- (b) 1st January 2015, is £40,000;
- (c) 1st January 2016, is £30,000;
- (d) 1st January 2017, is £25,000;
- (e) 1st January 2018, is £22,500;
- (f) 1st January 2019, is £20,000;
- (g) 1st January 2020, is £18,500;
- (h) 1st January 2021, is £15,000;
- (i) 1st January 2022, is £12,500.

(4) In relation to the year commencing on 1st January 2023 and each subsequent year, the maximum amount is £10,000.

(5) The Secretary of State may by order vary the sum specified in subsection (4) where the Secretary of State considers that the variation is expedient in consequence of changes in the value of money.

(6) Any order made under subsection (5) is subject to annulment in pursuance of a resolution of either House of Parliament.

“Relevant benefits”: donations

4. –(1) For the purposes of paragraph (a) of the definition of “relevant benefits” set out in section 3(2), donations are to be treated as connected with a represented registered party where they are donations which are accepted in accordance with Part 4 of the 2000 Act by –

- (a) the party;
- (b) a member of the party;
- (c) a members’ association where the membership of the association consists wholly or mainly of members of the party;
- (d) a holder of relevant elective office where, at the election for that office –
 - (i) the person elected was authorised to use a description likely to lead electors to associate the person to the party, and
 - (ii) that authorisation was given by a certificate issued by or on behalf of the registered nominating officer of the party.

(2) A relevant benefit which is a donation accrues –

- (a) from the permissible donor who made it; and
- (b) when the donation is accepted by the donee.

(3) In this section –

“donations” has the same meaning as in Part 4 of the 2000 Act (see also section 161 of the 2000 Act);

“members’ association” has the meaning given in paragraph 1(6) of Schedule 7 to the 2000 Act;

“nominating officer” means the person registered under the 2000 Act as the officer with responsibility for the matters referred to in section 24(3) of that Act in respect of a represented registered party;

“permissible donor” has the same meaning as in Part 4 of the 2000 Act;

“relevant elective office” has the meaning given in paragraph 1(8) of Schedule 7 to the 2000 Act.

used by the CSPL, show that caps of £50,000 and £25,000, with the modifications made by Clause 6, would have had a roughly equal effect on the Conservative and Labour parties if they had applied in 2010. There would be a greater disparity of effect at £10,000 if it were introduced straight away. This report therefore recommends a reduction toward that target in slow increments of £2,500 from 2017, after the initial progress over four years to £25,000. By setting this path out in legislation, parties would have time to foster a changed, more diverse donation profile, but would not be able to defer the ‘removal of big money from politics’ indefinitely. The slow reduction in the donation cap would also allow public funding to remain at current levels for the foreseeable future.

Clause 4

Clause 4 brings all the different arms of a party operation under one umbrella. For example, donating or making a loan to an MP directly would be counted under the limit for that MP’s party to avoid “displacement” funding taking place once the provisions of the Bill are in force. Likewise, donations to “Green Liberal Democrats” would count as a donation to the Liberal Democrats.

“Relevant benefits”: loans and related transactions

5. –(1) For the purposes of paragraph (b) of the definition of “relevant benefits” set out in section 3(2), transactions are to be treated as connected with a represented registered party where –

- (a) they are regulated transactions or controlled transactions with an authorised participant which are entered into in accordance with Part 4A of the 2000 Act; and
 - (b) any of the persons or bodies specified in paragraphs (a) to (d) of section 4(1) is also a party to the transaction.
- (2) A relevant benefit which is a regulated transaction or a controlled transaction accrues –
- (a) from an authorised participant who is a party to the transaction, and
 - (b) when the transaction is entered into.
- (3) In this section “authorised participant”, “controlled transaction” and “regulated transaction” have the same meaning as in Part 4A of the 2000 Act.

Treatment of affiliation fees received from membership organisations

Circumstances in which affiliation fees treated as made by individual members

6. –(1) In this section –
- “affiliation fee”, in relation to a represented registered party, means a subscription or other fee paid for affiliation to the party or for membership of it;
- “membership organisation” means –
- (a) a trade union entered in the list kept under the Trade Union and Labour Relations (Consolidation) Act 1992 or the Industrial Relations (Northern Ireland) Order 1992;
 - (b) a society registered or deemed to be registered under the Co-operative and Community Benefit Societies and Credit Unions Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969;
 - (c) any other membership organisation which pays affiliation fees to any represented registered party.
- (2) Subsection (3) applies where –
- (a) a notice issued under section 7 is for the time being in force in respect of a membership organisation; and
 - (b) any of the members of the organisation (“the consenting members”) have given their written consent to the organisation for the organisation to pay an amount to the represented registered party on the member’s behalf by way of affiliation fees (see section 8(5)).
- (3) Such amount as falls within subsection (4) which is received by a represented registered party from a membership organisation by way of affiliation fees in respect of any period is to be treated for the purposes of section 3 of this Act, and of Part 4 of the 2000 Act, as if it had been received directly from the consenting members.
- (4) The amount falling within this subsection is the amount equal to the aggregate of the payments made by each consenting member for the purposes of affiliation to, or membership of, the party in respect of the period in question.

Clause 5

Clause 5 works with Clause 3 to extend the donation cap to the provision of loans. This reflects the changes to party finance law in PPERA which were inserted by the Election Administration Act 2006 and which made the provision of loans and credit facilities to political parties a “regulated transaction” or “controlled transaction”. This is vital to avoid the displacement of ‘big money’ donations into long-term ‘loans’.

Clause 6

Clause 6 sets out a framework under which funds collected as affiliation fees by trades’ unions and other membership organisations, and paid into a political fund, will be counted as coming from the individuals who have expressly consented to paying into the fund, instead of from the trades’ union or membership organisation itself. Before this can happen the Electoral Commission must have issued a notice under Clause 7 stating that it is satisfied that the requirements set out in Clause 8 are met in relation to the trade union or membership organisation. Clause 9 provides for the phasing-in of these new arrangements.

Procedure to establish whether section 6 applies to a membership organisation

7. –(1) On an application made to the Commission in accordance with this section, the Commission may issue a notice stating that it is satisfied that a membership organisation meets all of the conditions set out in section 8 (or will meet those conditions once the notice has been issued).

(2) In relation to affiliation fees received after 1st January 2014 but before 1st January 2023, subsection (1) is subject to the modifications set out in section 9.

(3) An application for a notice –

(a) must be made to the Commission by the membership organisation in such manner as the Commission may direct; and

(b) must contain, or be accompanied by, such other information as the Commission may reasonably require.

(4) At any time after receiving the application, and before determining it, the Commission may require the membership organisation to provide such further information as the Commission may reasonably require.

(5) The Commission must give the membership organisation written notice where the Commission decides to issue a notice.

(6) If the Commission considers that the conditions set out in section 8 are not met in respect of the membership organisation, the Commission must refuse the application under this section and must give the membership organisation written notice stating the reasons for its refusal.

(7) A notice expires at the end of the period of 12 months beginning with the day on which the notice is issued (but this does not prevent an application being made for a notice to take effect once that period has ended).

(8) An application referred to in subsection (7) –

(a) must comply with the requirements of subsection (1); and

(b) must also be accompanied by a declaration made by a person authorised by the organisation, which states that the conditions set out in section 8 continue to be met in respect of the organisation.

(9) A person who knowingly or recklessly makes a false declaration under subsection (8)(b) commits an offence.

(10) A person convicted of an offence under subsection (9) is liable –

(a) on summary conviction, to imprisonment for a term not exceeding 6 months or a fine not exceeding the statutory maximum, or both;

(b) on conviction on indictment, to imprisonment for a term not exceeding 1 year or a fine, or both.

Conditions to be met by membership organisation for purposes of section 6

8. –(1) For the purposes of section 7, the conditions to be met by a membership organisation are as follows.

(2) The first condition is that the arrangements for membership of the organisation, or for its administration, do not prevent any person from making a contribution to any political fund of the organisation where that person clearly indicates that no amount of the contribution is to be paid by way of affiliation fees to one or more parties registered under Part 2 of the 2000 Act.

Clause 7

Clause 7 provides that the Electoral Commission is to direct the application procedure for the notices referred to in Clause 6. The Commission must judge whether or not a trade union or membership organisation meets certain conditions – set out in Clause 8 – before it can issue the notice. If a notice is issued, the amount of affiliation fees collected from members who have given their written consent will count as individual donations. If the Commission approves the application, it will issue a notice to that effect, which will last for 12 months.

Clause 8

Clause 8 sets out the criteria which trade unions and membership organisations must meet before the Electoral Commission can issue a notice, effectively permitting affiliation fees to be counted as separate, individual donations. The conditions, which would be introduced gradually over a period of ten years, under Clause 9, are that:

- (3) The second condition is that the information required by subsection (4) –
- (a) is provided directly to any person who seeks to become a member of the organisation or renew their membership; and
 - (b) appears on the organisation’s website.
- (4) The membership organisation must provide information which –
- (a) is in such form as may be specified by regulations made by the Commission;
 - (b) states that each person is required to decide whether or not to pay an amount to the organisation for it to make a payment to the represented registered party by way of affiliation fees;
 - (c) sets out the procedure to be followed in making that decision;
 - (d) states the amount which a member (or any particular description of members) is to pay by way of affiliation fees;
 - (e) states the aggregate amounts that would, respectively, be payable by a person on becoming a member or renewing their membership of the organisation –
 - (i) if the amount referred to in paragraph (d) were included in that amount; and
 - (ii) if that amount were not so included.
- (5) The third condition is that –
- (a) where any person decides to pay to the organisation such amount as is referred to in subsection (4)(d), arrangements are in place to ensure that the payment can be accepted only if it is accompanied by the person’s written consent to the amount being used to pay affiliation fees; and
 - (b) such consent is required –
 - (i) when the person first becomes a member of the organisation, and
 - (ii) on each occasion when the person’s membership is renewed.
- (6) The fourth condition is that the membership organisation –
- (a) maintains up to date records of the names of all persons who have given their written consent and the amount paid by each person; and
 - (b) has arrangements in place for the provision to the represented registered party to which affiliation fees are paid of –
 - (i) the names of the persons on whose behalf the organisation is acting when paying such fees, and
 - (ii) in any case where the amount paid by a person is £100 or more, a statement of the amount paid by that person.
- (7) The fifth condition is that the membership organisation has arrangements in place to ensure that the payment it makes pays to the represented registered party is the full amount it has received from persons who have given their written consent.
- (8) In subsection (2), “political fund” –
- (a) in relation to a trade union, means the fund from which payments by a trade union in the furtherance of political objects are required to be made by virtue of section 82(1)(a) of the Trade Union and Labour Relations (Consolidation) Act 1992 (“the 1992 Act”) or Article 57(2)(a) of the Industrial Relations (Northern Ireland) Order 1992;

1. there is nothing to prevent a person paying into a trade union or membership organisation’s political fund, but requiring it not to be transferred to a political party
2. each person who seeks to become a member of a trade union or membership organisation, or renews their membership, must be directly provided with information (which must also appear on the organisation’s website) which:
 - a. is in the form prescribed by the Commission in regulations
 - b. states that it is their choice to pay or not pay an amount to the membership organisation by way of affiliation fees to a political party
 - c. sets out the procedure to be followed in taking that decision
 - d. specifies the amount of the member’s contribution to the affiliation fee
 - e. compares the overall cost of joining the trade union or membership organisation, both with the affiliation fee included and without it
3. the procedure for a member’s decision whether to pay affiliation fees involves obtaining their written consent, both on first becoming a member of the organisation and on renewal
4. the trade union or membership organisation maintains up to date records of the names of all persons who have given their written consent, and the amount paid by each person, and has arrangements in place to provide to the political party
 - a) the names of the person on whose behalf the organisation is acting when paying such fees and
 - b) the exact amount paid by any person who has contributed more than £100
5. the trade union or membership organisation can account for the total amount paid to a political party in affiliation fees, and

- (b) in relation to any other body, means any separate fund maintained by that body which is applied by it in furtherance of political objects such as would, if the body were a trade union, be political objects to which Chapter 3 of Part 1 of the 1992 Act applies.

Application of certain conditions only before 1st January 2023

9. In the application of section 7 at any time before 1st January 2023, the reference in subsection (1) of that section to “all of the conditions set out in section 8” is to be read –

- (a) in relation to affiliation fees received after 1st January 2014 but before 1st January 2017, as if it were a reference to “the first condition set out in section 8(2) and the second condition set out in section 8(3)”;
- (b) in relation to affiliation fees received on or after 1st January 2017 but before 1st January 2020, as if it were a reference to “the first, second and third conditions set out in section 8(2), (3) and (5)”;
- (c) in relation to affiliation fees received on or after 1st January 2020 but before 1st January 2023, as if it were a reference to “all of the conditions set out in section 8 apart from the fifth condition set out in section 8(7)”.

Schemes for obtaining funding otherwise than by donations, loans etc

Amount-per-vote scheme

10. –(1) For each financial year there is to be paid to each represented registered party out of money provided by Parliament amounts the total of which for any such year is equal to the aggregate of –

- (a) 50 pence multiplied by the total number of votes cast for persons standing for election in the name of that party at the most recent parliamentary general election;
- (b) 25 pence multiplied by the total number of votes cast for persons standing for election in the name of that party at the most recent ordinary or extraordinary general election to a devolved legislature;
- (c) 25 pence multiplied by –
- (i) in relation to England, Wales or Scotland, the total number of votes cast for the party itself at the most recent European Parliamentary election;
- (ii) in relation to Northern Ireland, the total number of votes cast for persons standing for election in the name of that party at that election.

(2) Any amount payable under subsection (1) is to be paid in such manner and at such times as the Treasury may determine.

Matched funding for registered supporters

11. –(1) A represented registered party is entitled to a payment (a “matched payment”) from the Secretary of State in respect of each individual who –

- (a) is registered in an electoral register; and
- (b) makes a gift of money in any tax year to the party under a registered subscriber scheme.

that this amount matches the total amount collected in affiliation fees from members who have given their written consent

Clause 9

Clause 9 permits these conditions to be phased in, to try to provide some synergy with the gradual introduction of the donations cap. This is part of the Bill’s objective to reform party political finance without disproportionately affecting any of the parties over the others either in the short or long-term. The draft refers to Conditions 1 and 2 coming into effect in January 2014, when the first level of the donation cap (£50,000) is introduced, with Condition 3 (written consent) introduced when the donation cap falls to £25,000 in January 2017. The accounting arrangements in Condition 4 would be in place by January 2020 and condition 5 would follow in January 2023, alongside the £10,000 donation cap.

Clauses 10 to 14 each provide for schemes which permit financial support for political parties, on the basis of their support at elections or their capacity to engage their supporters to give a small donation. Each Clause is ‘detachable’ so that it would be possible to choose not to pursue a given scheme.

Clause 10

Clause 10 sets out the amount-per-vote scheme proposed by the Sir Christopher Kelly and the CSPL. The draft Bill contains the full amounts suggested by the CSPL, but these could be moderated (by virtue of Clause 17(3)(b)) if the overall cost could not be met from the current financial envelope spent on political parties. The amounts are, for each financial year, 50p per vote for candidates standing at the last general election, and 25p per vote for candidates and party lists standing at the last devolved legislature or European Parliament elections.

(2) A registered subscriber scheme is a scheme which is maintained by or on behalf of a represented registered party which—

- (a) invites individuals who support the party to make a gift of money to the party;
- (b) provides for the maintenance of a register of all individuals who make such a gift and the amount received; and
- (c) complies with such other requirements as may be specified by regulations made by the Commission.

(3) The amount of the matched payment to be made in respect of each individual in any tax year is £5.

(4) In this section, “electoral register” means any of the following—

- (a) a register of parliamentary or local government electors maintained under section 9 of the Representation of the People Act 1983;
- (b) a register of relevant citizens of the European Union prepared under the European Parliamentary Elections (Franchise of Relevant Citizens of the Union) Regulations 2001; or
- (c) a register of peers prepared under regulations under section 3 of the Representation of the People Act 1985.

Gift aid to apply to gifts of money made to eligible represented registered parties

12. —(1) The provisions of Chapter 2 of Part 8 of the Income Tax Act 2007 (gift aid) apply to gifts of money which are made to represented registered parties by individuals as the provisions of that Chapter apply to gifts of money made to charities by individuals.

(2) In their application by virtue of subsection (1), those provisions have effect—

- (a) as if references to “charity” included references to represented registered parties (see subsections (9) and (10)); and
- (b) subject to the following modifications.

(3) In section 413(5) (overview of Chapter)—

- (a) omit “and”; and
- (b) after “section 505 of ICTA” insert “ and sections 13 and 14 of the Democratic Political Activity (Funding and Expenditure) Act 2013”.

(4) In section 416 (meaning of “qualifying donation”)—

- (a) in subsection (1)(a), for “conditions A to G” substitute “conditions A to H”; and
- (b) after subsection (8) insert—

“(8) Condition H is that any amount of one or more gifts received from any individual which exceeds £1,000 in any tax year is disregarded.”.

(5) In section 418 (restrictions on associated benefits), omit paragraph (c) of subsection (2).

(6) Omit sections 420 and 421 (which make provisions about rights of admission to premises or property without payment of an admission fee).

(7) The power of the Commissioners for Her Majesty’s Revenue and Customs under section 428 (meaning of “gift aid declarations”) extends to making regulations for the purposes of this section; and regulations under that section which are in force on the date this section comes into force are

Clause 11

Clause 11 would provide for matched funding for registered supporters, a scheme proposed by Sir Hayden Philips. This would encourage parties to engage with those who support them, and to seek small financial contributions to their campaigning. If an individual gives a donation of £5 or more in registering their support, the state would provide an additional maximum of £5 to the party in matched funding. A £5 contribution from a supporter, would therefore be worth £10 to the party. However, the annual state contribution would be capped at £5, so a £10 contribution to a supporter would be worth £15, a £100 contribution worth £105, and so on. As with clause 10, the £5 maximum can also be moderated under clause 17(3)(a) subject to parliamentary approval. It would also be adjustable for inflation under clause 17(3)(b), subject to the negative resolution procedure..

Clauses 12 to 14

Clause 12 to 14 reflect the CSPL’s recommendations that there should be tax relief at the basic rate on donations up to £1,000 and on membership fees. The CSPL recommended that parties be eligible for this relief only if they meet minimum qualifications for Policy Development Grants, or any equivalent in the devolved legislatures. The Bill abolishes Policy Development Grants, but broadly achieves the objective set out by the CSPL by making eligibility for public funding align with whether or not a Party is covered by the donation cap. (See Clause 2).

to have effect in relation to gifts of money which are made to represented registered parties by individuals, with such modifications as are necessary for those purposes.

(8) In section 429(3) (giving through self-assessment return), for “conditions A to G” substitute “conditions A to H”.

(9) For the heading to section 430 substitute –

““Charity” to include exempt bodies and represented registered parties”

(10) In that section –

(a) omit “and” at the end of paragraph (c); and

(b) after paragraph (d) insert –

and

(e) a represented registered party within the meaning of the Democratic Political Activity (Funding and Expenditure) Act 2013..

Gifts qualifying for gift aid relief: income tax treated as paid

13. – (1) This section applies if a gift is made to a represented registered party by an individual and, by virtue of section 12 of this Act, the gift is a qualifying donation for the purposes of Chapter 2 of Part 8 of the Income Tax Act 2007 (gift aid).

(2) The represented registered party is treated as receiving, under deduction of income tax at the basic rate for the tax year in which the gift is made, a gift of an amount equal to the grossed up amount of the gift.

(3) References in this section to the grossed up amount of the gift are to the amount of the gift grossed up by reference to the basic rate for the tax year in which the gift is made.

(4) The income tax treated as deducted is treated as income tax paid by the represented registered party.

Gifts qualifying for gift aid relief: corporation tax liability and exemption

14. – (1) If a represented registered party receives a gift from an individual and, by virtue of section 12 of this Act, the gift is a qualifying donation for the purposes of Chapter 2 of Part 8 of the Income Tax Act 2007 (gift aid), the grossed up amount of the gift is treated as an amount in respect of which the represented registered party is chargeable to corporation tax, under the charge to corporation tax on income.

(2) But the grossed up amount of the gift is not taken into account in calculating total profits so far as that grossed up amount is applied to any of the purposes listed in section 15(a) to (d) of this Act.

(3) References in this section to the grossed up amount of the gift are to the amount of the gift grossed up by reference to the basic rate for the tax year in which the gift is made.

(4) The exemption under subsection (2) requires a claim.

(5) A represented registered party is treated as having made a claim for any exemption to which it may be entitled under subsection (2) if –

(a) it receives a gift as a result of a direction under section 429(2) of the Income Tax Act 2007 (giving through self-assessment return); and

- (b) as a result of section 429(4) of that Act, the gift is treated as a qualifying donation for the purposes of Chapter 2 of Part 8 of that Act.

Funding obtained under sections 10 to 14 to be used for certain purposes only

15. Any amount obtained by a represented registered party in accordance with any of sections 10 to 14 must not be used for any purpose other than—

- (a) assisting the party with the development of policies for inclusion in any manifesto on the basis of which—
 - (i) candidates authorised to stand by the party will seek to be elected at a relevant election;
 - (ii) the party itself will seek to be so elected (in the case of a relevant election for which the party itself may be nominated);
- (b) the promotion of policies adopted by the party;
- (c) meeting expenses reasonably incurred by the party in connection with activities engaged in for the purposes of electing candidates at a relevant election (such as advertising, transport, public meetings, sending election addresses etc);
- (d) ensuring that the public duties of persons elected at a relevant election are carried out effectively and efficiently;
- (e) meeting accommodation, administration and staff expenses reasonably incurred in connection with any of the activities set out in paragraphs (a) to (d).

Ending of policy development grants

16. Section 12 of the 2000 Act (policy development grants) is repealed.

Power to control combined impact of sections 10 to 16

17. —(1) The provisions of sections 10 to 16 come into force on such day as the Secretary of State may by order appoint.

(2) The aggregate amount which is obtained under sections 10 and 11 by all represented registered party taken together must not exceed such amount as the Secretary of State may by order prescribe.

(3) The Secretary of State may by order—

- (a) reduce any sum specified in section 10(1) or 11(3) where the Secretary of State considers that the reduction is necessary to ensure that the amount prescribed under subsection (2) is not exceeded; and
- (b) vary that sum where the Secretary of State considers that the variation is expedient in consequence of changes in the value of money.

(4) Subject to subsection (5), no order is to be made under this section unless a draft of the order has been laid before Parliament and approved by a resolution of each House.

(5) Any order made under subsection (3)(b) is subject to annulment in pursuance of a resolution of either House of Parliament.

Clause 15

Clause 15 sets out the restrictions that apply to parties when spending re-allocated public funds (see clauses 10 to 14). The funds can only be spent in a) the development of policy for election manifestos; b) the promotion of such policies; c) meeting expenses incurred during elections (advertising, transport, public meetings, sending election addresses etc); d) ensuring that public duties of elected representatives are carried out effectively and efficiently; (e) meeting accommodation, administration and staff expenses in connection with any of the above.

Clause 16

Clause 16 brings the present Policy Development Grant to an end, to yield a saving to the public purse of £2million each year, which could be redistributed into the other public funding schemes provided for in Clauses 10 to 14.

Clause 17

Subsection (2) of Clause 17 provides for a cap on overall public spending on political parties. To this end, subsection (1) provides for commencement of Clauses 10 to 16 [which provide for expenditure] at a time of the Secretary of State's choosing, on approval of both Houses of Parliament. And Clause 17(3)(a) also permits alteration by regulation of the sums in Clause 10 [the pence per vote scheme] and in Clause 11(3) [the registered supporter scheme], to ensure that public spending on political parties remains below the overall cap imposed by the Bill. Clause 17(3)(b) provides for changes to those sums where this is necessary to keep up with inflation.

PART 2

CONTROL OF EXPENDITURE FOR POLITICAL PURPOSES

Annual expenditure incurred otherwise than in pre-election period

Annual limit on non-election expenses incurred by represented registered party

18. —(1) This section applies to any expenses (“non-election expenses”) which—

- (a) are incurred by or on behalf of a represented registered party; and
- (b) fall within Schedule 1; but
- (c) are neither —
 - (i) subject to the controls on campaign expenditure in respect of a relevant election which are contained in Part 5 of the 2000 Act, nor
 - (ii) required (in accordance with any enactment) to be included in a return as to election expenses in respect of a candidate at a particular election.

(2) In respect of each financial year, the limit applying to the non-election expenses that may be incurred by or on behalf of a represented registered party is such amount as the Secretary of State may by order prescribe.

(3) No more than one per cent. of the amount specified in subsection (2) may be incurred by a represented registered party for the purposes of—

- (a) sending unsolicited material falling within paragraph 4 of Schedule 1 which is addressed to any person registered, or entitled to be registered, in the register of parliamentary electors for any particular constituency; or
- (b) making unsolicited telephone calls to such persons.

(4) No order is to be made under subsection (2) unless a draft of the order has been laid before Parliament and approved by a resolution of each House.

Annual limit on expenses incurred by third parties in pursuit of party political objectives

19. —(1) This section applies to any expenses which—

- (a) are incurred by or on behalf of any third party in pursuit of party political objectives; and
- (b) are not subject to the controls relating to third party national election campaigns which are contained in Part 6 of the 2000 Act.

(2) The Secretary of State may by order make provision as to the circumstances in which a limit in respect of a financial year is to be imposed under the order on the amount of expenses to which this section applies which are incurred by any third party.

(3) An order under subsection (2) must specify—

- (a) the amount of the financial limit to be imposed on any third party under the order;
- (b) the description of third parties to whom the financial limit is to apply;
- (c) the description of expenses to which the financial limit is to apply;

Clause 18

Clause 18 provides for annual limits on parties’ spending. This is an additional ‘detachable’ suggestion, which is not needed to implement the core of the CSPL’s proposals. However, there is a logic to recognising the modern reality that elections are not won and lost in the four weeks, or four months, of an election campaign, but in the four or five years before it begins. Comments are particularly welcome on this proposal. Because the principle of this suggestion is a new one, the Clause does not specify what the limit should be. One suggestion is that it could be set at 15% below level the present 365-day limit which precedes a General Election. This would remain a generous annual limit for non-election spending of **£16,575,000** for parties operating across the UK. The Clause additionally stipulates that no more than 1% of the figure set can be spent communicating directly (by way of unsolicited mail or telephone calls) with electors in any **one** constituency in a given year. Again, comments are most welcome.

Clause 19

Clause 19 provides an order-making power for the Secretary of State to establish a system by which third parties could be subject to similar regime of annual expense limits to political parties. It would be necessary to define what kind of expenditure - and in the pursuit of what objectives - should be covered.

Comments are especially welcome on how and whether such a scheme would work. One option would be for such limits to cover the production or publication of “election material” (as in section

- (d) the circumstances in which any such expenses are (or are not) to be treated as incurred for party political objectives.
- (4) An order under subsection (2) may include—
 - (a) provision about the keeping of records and accounts by third parties to whom the financial limit applies;
 - (b) provision requiring any such third party to provide information to the Commission;
 - (c) provision for such information to be provided at the request of the Commission or on such dates or at such intervals as the Commission may determine;
 - (d) provision in respect of the form and manner in which such information is to be provided to the Commission;
 - (e) provision in respect of the time within which such information is to be provided pursuant to a request under paragraph (b).

Election expenditure

Control of campaign expenditure and controlled expenditure

20. Schedule 2 (which contains amendments of Schedules 9 and 10 to the 2000 Act) has effect.

Controlled expenditure to count towards limits on campaign expenditure

21. –(1) This subsection applies to any expenses which, in relation to a relevant election –

- (a) are controlled expenditure incurred by or on behalf of a third party during the period specified in Schedule 10 to the 2000 Act in relation to that election; and
- (b) are incurred in connection with the production or publication of election material within the meaning of section 85 of the 2000 Act, where –
 - (i) the electoral success of a particular represented registered party (“the represented registered party in question”) at a relevant election is promoted or procured by the material; or
 - (ii) the party’s standing with the electorate, or the standing of any candidate authorised to use a description likely to lead electors to associate the candidate with the party, is otherwise enhanced by the material in connection with future relevant elections.
- (2) Any expenses to which subsection (1) applies in respect of a relevant election –
 - (a) are to be treated as if they were campaign expenditure incurred by or on behalf of the represented registered party in question during the relevant period for that election specified in Schedule 9 to the 2000 Act; and
 - (b) are to be taken into account in determining whether the limits on campaign expenditure which apply by virtue of Schedule 9 to the 2000 Act at that election are exceeded.
- (3) But subsection (2) does not apply where a public statement has been issued in accordance with subsections (4) and (5) on behalf of the represented registered party.

85(3) of the 2000 Act - see page 18). This is material intended to promote or procure electoral success at a specific election or to enhance the future standing of the party or its candidates (whether the party or candidate is named or whether the same result is achieved by the party's, or candidate's, association to particular policies).

Clause 20

Clause 20 brings into effect Schedule 2 of the Bill. This will reduce the existing expenditure limits in PPERA, by 15%, as recommended by the CSPL. It also brings the election campaign period for parliamentary general elections into line with the four month period for elections to the devolved legislatures and the European Parliament.

Clause 21

Clause 21 seeks to deal with the potential for displacement of large donations from political parties’ coffers to those of third party campaigning organisations. This Clause represents a response to increasing concerns across the parties, about the capacity of such organisations to obviate campaign finance rules. These concerns have emerged since the reports of the CSPL and Sir Hayden Phillips so, more than any other area of the draft Bill, the Clause is a first attempt to deal with what is a complex problem. Comments are particularly welcome.

The Clause sets out the circumstances in which third party campaigners’ expenditure would be counted as expenditure within the spending limits of political parties. However, it provides for political parties to prevent this occurring, in the event they are able publicly to

(4) The person whose name is entered on the register maintained under Part 2 of the 2000 Act as being the treasurer of a represented registered party may issue a statement on behalf of the party which—

- (a) specifies the name of the party;
- (b) identifies the third party by or on whose behalf expenses falling within subsection (1) are being incurred; and
- (c) contains the following statement—

“The registered party, (*specify name*), of which I am treasurer is not in any way connected to (*specify the name of the third party*), and does not co-operate with that person, in order to influence the outcome of any election or referendum.”

(5) A statement issued under subsection (4)—

- (a) must be issued before the start of the 3 week period which expires on the day of the relevant election in question; and
- (b) must be published on the represented registered party’s website.

(6) It is an offence for a person knowingly or recklessly to issue a statement under subsection (4) which is false or misleading in a material particular.

(7) A person convicted of an offence under subsection (6) is liable—

- (a) on summary conviction, to imprisonment for a term not exceeding 6 months or a fine not exceeding the statutory maximum, or both;
- (b) on conviction on indictment, to imprisonment for a term not exceeding 1 year or a fine, or both.

(8) The preceding provisions of this section are in addition to the controls on campaign expenditure and controlled expenditure which are set out in Parts 5 and 6 of the 2000 Act.

(9) In this section—

“campaign expenditure” has the same meaning as in Part 5 of the 2000 Act (control of campaign expenditure);

“controlled expenditure” have the same meaning as in Part 6 of the 2000 Act (controls relating to third party national election campaigns).

Removal of restrictions on pre-candidacy election expenses for certain general elections

22. —(1) The Representation of the People Act 1983 is amended as follows.

(2) Omit section 76ZA (which imposes restrictions on election expenses incurred by or on behalf of a candidate at a general election in certain circumstances).

(3) In section 76A(2), omit paragraph (e).

(4) In section 90ZA, for subsection (5) substitute—

“(5) In this Part of this Act, any reference to election expenses incurred by or on behalf of a candidate at an election includes expenses—

- (a) which are incurred as mentioned in subsection (1) above before the date when he becomes a candidate at the election, but
- (b) which by virtue of that subsection fall to be regarded as election expenses.”.

distance themselves (through a ‘distancing provision’) from a third party campaigning organisation. A draft, statutory public statement to this effect is set out at subsection (4)(c), and it would be an offence to make a false statement. Such a statement would need to be made by the party three weeks before polling day.

Clause 22

Clause 22 removes the extension to General Election individual candidate campaign expenditure, which was introduced by the Political Parties and Elections Act 2009. This is no longer needed because Clause 20 brings the General Election campaign period into line with those for European and local government elections, at four months. This change, alongside the annual non-election expense limits, recognises the reality of a continuous ‘peacetime’ spend throughout a Parliament and additional concentrated election spends in the four months preceding elections at all levels. .

Free delivery of candidate election addresses

- 23.** –(1) Subsection (2) and Part 1 of Schedule 3 apply in relation to –
- (a) parliamentary elections; and
 - (b) elections to the European Parliament.
- (2) Each candidate at an election to which this subsection applies is entitled (subject to and in accordance with the provisions of Part 1 of Schedule 3) to have an election address prepared on behalf of the candidate included in a booklet of election addresses which is –
- (a) prepared by the returning officer; and
 - (b) sent by that officer by post to each person entitled to vote at that election.
- (3) Part 2 of Schedule 3 (which repeals and revokes enactments superseded by subsections (1) and (2)) has effect.

PART 3

MISCELLANEOUS AND GENERAL

Miscellaneous

Functions of the Commission

- 24.** –(1) The Secretary of State may by regulations make such provision as to the functions of the Commission as the Secretary of State considers necessary or desirable for the purposes of giving effect to this Act.
- (2) Regulations under subsection (1) may include provision which, in particular –
- (a) enables the Commission to take such steps as are necessary to ensure that the maximum amount of relevant benefits from any person which is for the time in force under section 3 is not exceeded;
 - (b) facilitates the carrying out of the Commission's functions under sections 7 and 8 in connection with affiliation fees paid by a membership organisation;
 - (c) enables the Commission to take such steps as are necessary to ensure compliance with such limits on expenditure (of whatever description) as are imposed by virtue of this Act.
- (3) No regulations are to be made under subsection (1) unless a draft of the regulations has been laid before Parliament and approved by a resolution of each House.

Provision for review

- 25.** –(1) The Secretary of State must make arrangements –
- (a) for a committee to carry out a review of the effects of this Act on funding and expenditure for political purposes; and
 - (b) for the findings of the review to be published.
- (2) Arrangements under subsection (1)(a) are to be made –
- (a) no later than 1st January 2016; and
 - (b) on each two-year anniversary of that date.

Clause 23

Clause 23 and Schedule 3 provide for free delivery of election addresses for each candidate or party list in elections to the UK Parliament or to the European Parliament, but for these to be aggregated in a booklet, as presently happens for Mayoral elections and elections to the Greater London Authority. Recent parliamentary answers suggest that this could save some £47.5m over the six years of a Parliamentary/European Parliamentary cycle. The table on page four illustrates these figures in more detail. Additional savings could be found by legislating to subject devolved elections to the same arrangement.

Clause 24

Clause 24 provides for the Secretary of State to confer additional functions on the Electoral Commission such as are necessary for them to give effect to the Bill. This can be exercised to make provision, in particular, for the Commission to carry out their duties in relation to monitoring compliance with the donations cap, with eligibility to make affiliation fees, and with new rules on third party campaign expenditure. As part of this enforcement machinery, the regulations could also provide for the Electoral Commission to consider if one third party campaigning organisation was effectively the same as another, by judging their objectives, to prevent multiple, similar organisations being set up in order to obviate the spending limits.

Clause 25

Clause 25 reflects the Committee on Standards in Public Life's recommendation that there should be a review undertaken after two years. However, since the Bill introduces the provisions recommended by the Committee more slowly, the first review would

Orders and regulations

26. –(1) Any order or regulations made by the Secretary of State under this Act must be made by statutory instrument.

(2) Any order or regulations made under this Act may –

- (a) include incidental, supplementary and consequential provision;
- (b) make transitory or transitional provision and savings;
- (c) make provision generally or subject to exceptions or inly in relation to specified cases;
- (d) make different provision for different cases or circumstances or for different purposes.

(3) Any order made under this Act may, in particular, make provision as respects the operation of any financial limit imposed by any provision of this Act in cases where a period in relation to which any such limit is imposed would otherwise begin at a time before the commencement of that provision of this Act.

Interpretation

27. In this Act –

“the 2000 Act” means the Political Parties, Elections and Referendums Act 2000;

“affiliation fee” has the meaning given in section 7;

“the Commission” means the Electoral Commission established by section 1 of the 2000 Act;

“devolved legislature” means –

- (a) the Scottish Parliament;
- (b) the National Assembly for Wales;
- (c) the Northern Ireland Assembly;

“membership organisation” has the meaning given in section 7;

“relevant election” means –

- (a) parliamentary elections;
- (b) elections to the European Parliament;
- (c) elections to the Scottish Parliament;
- (d) elections to the National Assembly for Wales;
- (e) elections to the Northern Ireland Assembly;
- (f) elections of police and crime commissioners;
- (g) local government elections; and
- (h) local elections in Northern Ireland;

“represented registered party” has the meaning given in section 2;

“tax year” means a year beginning on 6 April and ending on the following 5 April;

“third party” means any person or body other than a represented registered party.

Financial provision

28. *The following are to be paid out of money provided by Parliament –*

- (a) *any expenditure incurred by the Secretary of State as a result of this Act, and*
- (b) *any increase resulting from this Act in the sums payable under any other Act out of money provided by Parliament.*

Short title, commencement & extent

29. –(1) This Act may be cited as the Democratic Political Activity (Funding and Expenditure) Act 2013.

(2) Subject to subsection (3), this Act comes into force on 1st January 2014.

(3) Sections 10 to 16 come into force in accordance with any order made under section 17.

(4) This Act extends to –

- (a) England and Wales;
- (b) Scotland; and
- (c) Northern Ireland.

take place in the third year, one year before the donation cap was reduced to £25,000. It is of course up to the CSPL to undertake as many reviews as it wishes, as often or as infrequently as it likes. The draft Clause simply seeks to reflect the spirit of the CSPL report.

Clases 26 to 29

Clases 26 to 29 deal with a number of general matters. These include delegated powers, definitions, financial provision and commencement.

Glossary of PPERA 2000 terms

Campaign expenditure

Part 5 of the 2000 Act restricts “campaign expenditure” in a “relevant period”, usually four months before an election. Expenses are caught by the restrictions only if they are for “election purposes” (defined in section 72). Expenditure is specifically excluded from being “campaign expenditure” by section 72(7) if another enactment already requires that it be included in a return as to “election expenses” at a particular election. This ensures that individual candidate expenditure at a Parliamentary election, is not counted twice.

Controlled expenditure

Part 6 of the 2000 Act restricts “controlled expenditure”. These are expenses which are incurred “by or on behalf of a third party”. In broad terms, third parties are persons other than registered parties. Expenses are caught by the restrictions if they are incurred in connection with the production or publication of “election material” (section 85(3)). This is material intended to promote or procure electoral success at a specific election or to enhance the future standing of the party or its candidates.

SCHEDULE 1

NON-ELECTION EXPENSES: QUALIFYING EXPENSES

1. For the purposes of section 18(1)(b), the expenses falling within this Schedule are expenses incurred in respect of any of the matters set out in paragraphs 2 to 7.

2. Party political broadcasts.

Expenses in respect of such broadcasts include agency fees, design costs and other costs in connection with preparing or producing such broadcasts.

3. Advertising of any nature (whatever the medium used).

Expenses in respect of such advertising include agency fees, design costs and other costs in connection with preparing, producing, distributing or otherwise disseminating such advertising or anything incorporating such advertising and intended to be distributed for the purpose of disseminating it.

4. Unsolicited material addressed to electors (whether addressed to them by name or intended for delivery to households within any particular area or areas).

Expenses in respect of such material include design costs and other costs in connection with preparing, producing or distributing such material (including the cost of postage).

5. Any manifesto or other document setting out the party's policies.

Expenses in respect of such a document include design costs and other costs in connection with preparing or producing or distributing or otherwise disseminating any such document.

6. Market research or canvassing conducted for the purpose of ascertaining polling intentions.

7. The provision of any services or facilities in connection with press conferences or other dealings with the media.

SCHEDULE 2

AMENDMENTS TO POLITICAL PARTIES, ELECTIONS AND REFERENDUMS ACT 2000

PART 1

LIMITS ON CAMPAIGN EXPENDITURE

1. Schedule 9 to the 2000 Act is amended in accordance with paragraphs 2 to 6.

2. –(1) Paragraph 3 (parliamentary general elections) is amended as follows.

(2) In sub-paragraph (2)(a), for “£30,000” substitute “£25,500”.

(3) In sub-paragraph (3)–

(a) in paragraph (a), for “£810,000” substitute “£688,500”;

(b) in paragraph (b), for “£120,000” substitute “£102,000”; and

(c) in paragraph (c), for “£60,000” substitute “£51,000”.

(4) In sub-paragraph (4), for “£30,000” substitute “£25,500”.

(5) For sub-paragraph (7), substitute –

(7) For the purposes of this paragraph the relevant period is –

(a) (subject to paragraph (b)) four months ending with the date of the poll for the election;

(b) where an early parliamentary general election under section 2 of the Fixed-term Parliaments Act 2011 is to take place less than 4 months after the date of the poll at the immediately preceding parliamentary general election, the period –

(i) beginning with the day after the date of the poll for that preceding election, and

(ii) ending with the date of the poll for the early parliamentary general election.□.

(6) After sub-paragraph (7) insert –

□(8) No more than one per cent. of the overall maximum amount determined under sub-paragraph (9) may be incurred by a represented registered party for the purposes of –

Schedule 1

Schedule 1 is given effect by Clause 18 and sets out the expenses to which non-election spending limits would apply.

The limit applies to expenses set out in Schedule 1 to the Bill. These are based on the election expense categories set out in Schedule 8 to PPERA but excludes those categories which are manifestly related only to elections, such as transport to and from campaign meetings.

Schedule 2

Schedule 2 is given effect by Clause 19, and makes provision by reductions by 15% of all the existing expenditure limits contained in the Political Parties, Elections and Referendums Act 2000, reflecting the CSPL recommendation on this point.

To reflect the constituency spending arrangements set out in Clause 18 on (annual non-election spending limits), the Schedule also provides that only a set proportion of the general spending limit at elections may be spent in any one constituency. This is to ensure that there is a constituency limit on, for example, non-candidate specific direct mail sent from the central party HQs.

- (a) sending unsolicited material falling within item (3) of the list in paragraph 1 of Schedule 8 to any person registered, or entitled to be registered, in the register of parliamentary electors for any one particular constituency in England, Scotland, Wales or Northern Ireland (as the case may be); or
- (b) making unsolicited telephone calls to such persons.

(9) The overall maximum amount determined under this sub-paragraph is an amount equal to the aggregate of –

- (a) the amounts respectively determined under sub-paragraph (2) in relation to each of England, Scotland and Wales; and
- (b) the amount determined under sub-paragraph (4) in relation to Northern Ireland.”.

3. –(1) Paragraph 4 (general elections to European Parliament) is amended as follows.

(2) In each of sub-paragraphs (2), (3) and (4) for “£45,000” substitute “£38,250”.

4. In paragraph 5(2) (general elections to Scottish Parliament) –

- (a) in paragraph (a), for “£12,000” substitute “£10,200”;
- (b) in paragraph (b), for “£80,000” substitute “£68,000”.

5. In paragraph 6(2) (general elections to the National Assembly for Wales) –

- (a) in paragraph (a), for “£10,000” substitute “£8,500”;
- (b) in paragraph (b), for “£40,000” substitute “£34,000”.

6. In paragraph 7(2) (general elections to the Northern Ireland Assembly), for “£17,000” substitute “£14,450”.

PART 2

LIMITS ON CONTROLLED EXPENDITURE

7. Schedule 10 to the 2000 Act is amended in accordance with paragraphs 8 to 12.

8. –(1) Paragraph 3 (parliamentary general elections) is amended as follows.

(2) In sub-paragraph (2) –

- (a) in paragraph (a), for “£793,750” substitute “£674,475”;
- (b) in paragraph (b), for “£108,000” substitute “£91,800”;
- (c) in paragraph (c), for “£60,000” substitute “£51,000”;
- (d) in paragraph (d), for “£27,000” substitute “£22,950”.

(3) For sub-paragraph (3), substitute –

“(3) For the purposes of this paragraph the relevant period is –

(a) (subject to paragraph (b)) four months ending with the date of the poll for the election;

(b) where an early parliamentary general election under section 2 of the Fixed-term Parliaments Act 2011 is to take place less than 4 months after the date of the poll at the immediately preceding parliamentary general election, the period –

- (i) beginning with the day after the date of the poll for that preceding election, and
- (ii) ending with the date of the poll for the early parliamentary general election.”.

(4) After sub-paragraph (3) insert –

“(4) No more than one per cent. of the overall maximum amount determined under sub-paragraph (5) may be incurred by or on behalf of a recognised third party for the purposes of –

(a) sending unsolicited material addressed to any person registered, or entitled to be registered, in the register of parliamentary electors for any one particular constituency in England, Scotland, Wales or Northern Ireland (as the case may be); or

(b) making unsolicited telephone calls to such persons.

(5) The overall maximum amount determined under this sub-paragraph is an amount equal to the aggregate of the

amounts respectively determined under sub-paragraph (2) in relation to each of England, Scotland, Wales and Northern Ireland

(6) For the purposes of sub-paragraph (4)(a) –

(a) it is irrelevant whether the material is addressed to persons by name or is intended for delivery to households within the constituency or part of the constituency);

(b) expenses in respect of unsolicited material include design costs and other costs in connection with preparing, producing or distributing or otherwise disseminating any such material (including the costs of postage).”.

9. –(1) In paragraph 4 (general elections to European Parliament) is amended as follows.

(2) In sub-paragraph (2) –

- (a) in paragraph (a), for “£159,750” substitute “£135,788”;
- (b) in paragraph (b), for “£18,000” substitute “£15,300”;
- (c) in paragraph (c), for “£11,259” substitute “£9,570”;
- (d) in paragraph (d), for “£6,750” substitute “£5,738”.

(3) In sub-paragraph (2A) –

- (a) in paragraph (a), for “£16,000” substitute “£13,600”;
- (b) in paragraph (b), for “£5,000” substitute “£4,250”.

10. In paragraph 5(2) (general elections to Scottish Parliament), for “£75,800” substitute “£64,430”.

11. In paragraph 6(2) (general elections to the National Assembly for Wales), for “£30,000” substitute “£25,500”.

12. In paragraph 7(2) (general elections to the Northern Ireland Assembly), for “£15,300” substitute “£13,005”.

SCHEDULE 3
FREE DELIVERY OF
ELECTION ADDRESSES

PART 1

ELECTION ADDRESSES AND
ELECTION BOOKLETS

Interpretation

1. –(1) In this Schedule –

“candidate” means a person who stands nominated as a candidate at a specified election;

“election address” is to be construed in accordance with paragraph 2;

“election booklet” is to be construed in accordance with paragraph 5;

“elector”, in relation to a specified election –

(a) means a person who is registered in a register of electors for the specified election on the last day for publication of notice of the election; and

(b) includes a person then shown in the register (or in the case of a person who has an anonymous entry in any such register, in the record of anonymous entries for that constituency) as below voting age if (but only if) it appears from the register (or from the record) that the person will be of voting age on the day fixed for the poll;

“print” means print by whatever means (and “printer” is to be construed accordingly);

“registered political party”, in relation to a specified election, means a party registered under Part 2 of the 2000 Act at the time by which the notice of that election is required to be published;

“specified election” means an election to which section 23 applies.

Election address

2. For the purposes of section 23 and this Schedule, an election address, in relation to a candidate, is a statement prepared by the candidate’s election agent which complies with the provisions of paragraphs 3 and 4.

Content of election address

3. –(1) An election address must contain matter relating to the specified election only.

(2) In particular, an election address must not contain –

(a) any advertising material (other than material promoting the candidate as a candidate at the specified election);

(b) any other material appearing to be included with a view to commercial gain; or

(c) any material referring to any other candidate.

(3) An election address may include representations of the registered emblem, or (as the case may be) one of the registered emblems of a registered political party if the address is prepared on behalf of an authorised party candidate.

(4) In sub-paragraph (3) “authorised party candidate”, in relation to a registered political party, means a candidate who has been authorised to use the emblem in question by a certificate –

(a) issued by or on behalf of the registered nominating officer of the party, and

(b) received by the returning officer before the last time for the delivery of nomination papers for the specified election.

(5) An election address must –

(a) contain a statement to the effect that it has been prepared by the candidate’s election agent;

(b) give the name and address of the election agent; and

(c) give the name and address of the candidate on whose behalf it has been prepared.

Formatting of election address

4. –(1) Subject to any requirements imposed by or under this paragraph, the format of a candidate’s election address may be determined by the candidate (and, in particular, may consist of a combination of words, pictures and artwork).

(2) An election address must be printed on not more than two sides of A5 paper; but if such an address is printed on two sides of such paper –

(a) it must, when submitted to the returning officer for inclusion in the election booklet, be accompanied by a second version printed on a single side of such paper; and

(b) if the total number of candidates from whom election addresses have been accepted by the returning officer by the last time for delivery of nomination papers for the specified election exceeds 15, the version to be included in the election booklet is the second version.

(3) An election address must –

(a) comply with such requirements as to typographical layout, margins and the use of colour as the returning officer may determine; and

Schedule 3

Schedule 3 is given effect by Clause 22. Its provisions reflect those of S.I. 2003/1907 (the Greater London Authority (Election Addresses) Order 2003) and of regulation 6 of, and Sch 4 to, S.I. 2007/1024 (The Local Authorities (Mayoral Elections) (England and Wales) Regulations 2007). These set out the form, delivery arrangements and payment arrangements for election address booklets. Paragraph 8 requires that parties make a contribution to the cost of producing the booklet (though not towards its delivery), as is the case for booklets in Mayoral elections. The equivalent contribution represented 5% of the overall cost of the mailing in the most recent London Mayoral elections.

While this measure would save a significant sum, it would also ensure that every elector received their own booklet in an addressed envelope. This would give every party the chance to address each elector individually, where at present some for logistical reasons only manage to send a mailing to each household. This is particularly ineffective in areas of high multiple-occupation. A larger print version of this schedule is available at <http://www.fundingukdemocracy.org>

(b) comply with such other requirements as the returning officer may determine with a view to facilitating its reproduction as a page or pages of the election booklet.

(4) An election address must, when submitted to the returning officer for inclusion in the election booklet, be accompanied –

(a) where the address is to contain a photograph of the candidate, by two identical copies of the photograph, of which one is signed on the back by the candidate; and

(b) in any case, by such copies of anything contained in the address as the returning officer may reasonably require in connection with the reproduction of the address.

Election booklet

5. –(1) For the purposes of this Schedule the election booklet is a document prepared by

the returning officer which contains the election addresses of all candidates who –

- (a) desire their election addresses to be included in the booklet, and
- (b) have submitted –
 - (i) those addresses, and
 - (ii) any additional material required under paragraph 4(4),to the returning officer by such date as the returning officer may determine.

(2) If –

- (a) it appears to the returning officer that any of the requirements of paragraphs 3(3) to (5) and 4 has not been complied with in relation to an election address, or
- (b) a candidate fails to make the payment required by paragraph 8 in respect of an election address,

the returning officer must decline to include the address in the election booklet.

Election addresses include in election booklet

6. –(1) The order in which the candidates' election addresses appear in the election booklet is to be determined by lot drawn by the returning officer as soon as reasonably practicable after the date determined in accordance with paragraph 5(1)(b).

(2) The election booklet may include, in addition to candidates' election addresses, a statement by the returning officer –

- (a) explaining the nature and purpose of the election booklet;
- (b) listing, in alphabetical order, the names of all the candidates at the election (whether or not their election addresses are included in the booklet); and
- (c) giving the date of the election and such other information about it as the returning officer may determine.

(3) The election booklet must –

- (a) contain a statement that it has been published by the returning officer; and
- (b) give the name and address of the returning officer and those of the printer of the booklet.

(4) Subject to sub-paragraphs (1) to (3), the form of the election booklet is to be determined by the returning officer.

(5) The election agent of each candidate whose election address has been accepted by the returning officer for inclusion in the booklet must be given an opportunity to attend at a time and place notified to the election agent by the returning officer in order to check, and submit to the

returning officer typographical corrections to, the proof of the candidate's address.

(6) If the election agent of any such candidate fails to take up that opportunity, the returning officer may –

- (a) make such typographical corrections to the proof as appear to the returning officer to be appropriate; and
- (b) proceed with the printing and distribution of the election booklet without further reference to the candidate or the candidate's election agent (and without incurring any liability for any errors in the candidate's address).

(7) No person other than –

- (a) the candidate on whose behalf an election address included in the election booklet was prepared; or
- (b) the candidate's election agent,

is to incur any civil or criminal liability in respect of the publication of that address in the election booklet or its dissemination in accordance with paragraph 7.

Delivery of election booklet

7. –(1) Copies of the election booklet must be delivered by the returning officer, in envelopes addressed to individual electors, at such time and by such means as the returning officer may determine.

(2) The returning officer may disseminate the contents of the election booklet by such other means as the returning officer may determine.

Payment towards expense of printing election booklet

8. –(1) Each candidate by whom an election address is submitted to the returning officer for inclusion in the election booklet must pay to the returning officer such reasonable sum (which is to be the same for each such candidate) as the returning officer may determine by way of contribution towards the expenses incurred by the returning officer in respect of the printing of the election booklet.

(2) The payment required by sub-paragraph (1) must be made at such time, and in such manner, as the returning officer may determine.

(3) A candidate is entitled to a full refund of any such payment if (but only if) the candidate has given notice of withdrawal of candidature before the last time for the withdrawal of candidates.

(4) If the total amount of the payments made by candidates under this paragraph exceeds the total amount of the expenses incurred by the returning officer in respect of the printing of the election booklet, the returning officer must –

- (a) divide the amount of the excess between those candidates in equal shares, and
- (b) send to each of those candidates a payment in respect of his share.

Payments under paragraph 8 to count as candidate election expenses

9. –(1) The amount of any payment made by a candidate under paragraph 8 (or, if sub-paragraph (4) of that paragraph applies, the net amount of any such payment after deducting the payment under that sub-paragraph) is to be taken, for the purposes of any provision listed in sub-paragraph (2), as an amount of election expenses incurred by the candidate in relation to the election.

(2) The listed provisions are any provision of –

- (a) in relation to a parliamentary election, Part 2 of the Representation of the People Act 1983 (the election campaign);
- (b) in relation to an election to the European Parliament, Part 2 of the European Parliamentary Elections Regulations 2004 (the election campaign).

Disapplication of prohibition on third party expenditure

10. –(1) Nothing in any provision listed in sub-paragraph (2) is to be taken to apply, in relation to any candidate, to any expenses incurred by the returning officer in consequence of this Schedule.

(2) The listed provisions are –

- (a) section 75(1) of the Representation of the People Act 1983 (restriction on third party election expenditure);
- (b) in relation to an election to the European Parliament, regulation 46(1) of the European Parliamentary Elections Regulations 2004 (restriction on third party election expenditure).

PART 2

AMENDMENTS CONSEQUENTIAL ON PART 1

11. Section 91 of the Representation of the People Act 1983 is repealed (candidate's right to send election address post free).

12. Regulation 63 of the European Parliamentary Elections Regulations 2004 (candidate's right to send election address post free) is revoked.

How the parties promised reform in 2010

The public are concerned about the influence of money on politics, whether it is from trade unions, individuals, or the lobbying industry. We will seek an agreement on a comprehensive package of reform that will encourage individual donations and include an across-the-board cap on donations. This will mark the end of the big donor era and the problems it has sometimes entailed.

Conservative

We believe that the funding of political parties must be reformed if the public is to regain trust in politics. Our starting point should be the Hayden Phillips proposals of 2008. We will seek to reopen discussions on party-funding reform, with a clear understanding that any changes should only be made on the basis of cross-party agreement and widespread public support.

Labour

We will get big money out of politics by capping donations at £10,000 and limiting spending throughout the electoral cycle.

Liberal Democrat

Estimated effects of donation cap on the parties

% Loss of income from a £50,000 cap

Conservative 46%

Labour 42%

LD 33%

% Loss of income from a £25,000 cap

62% Conservative

61% Labour

41% LD

% Loss of income from a £10,000 cap

Conservative 78%

LD 56%

Labour 53%

These charts show that the respective effects of £50,000 and £25,000 caps on the two largest parties would be roughly similar, while a £10,000 cap, in 2010, would have had a disproportionate effect on the Conservatives. It is for this reason that the Draft Bill does not take the donation cap below £25,000 until 2018, and seeks to make progress towards £10,000 from that point only in £2,500 increments.

Source: Estimations made by CSPL based on donations made to the parties in 2010. Full figures at www.fundingukdemocracy.org

Democratic Political Activity (Funding and Expenditure) Bill

A

DRAFT BILL

TO

Make provision for the regulation of funding and expenditure of political parties and third party campaigning organisations; to provide for phased introduction of a cap on donations to political parties; to provide for phased introduction of controls on the payment of affiliation fees from trade unions and other membership organisations to political parties; to provide for public funding of political parties on the basis of the support they receive at elections; to provide for public funding of political parties on the basis of their capacity to attract small donations from individuals; to provide basic rate tax relief on individual donations from individuals to political parties; to end policy development grants; to repeal Section 91 of the Representation of the People Act 1983; to provide for election addresses from candidates and parties contesting UK and European Parliamentary elections to be collated in a booklet; to provide for limits on non-election expenditure; to confer powers on the Electoral Commission; and for connected purposes.

Cover design and Explanatory Notes by Alex Davies

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April 2013

