

THE COMMITTEE ON STANDARDS IN PUBLIC LIFE
REVIEW OF PARTY FUNDING - TENTH PUBLIC HEARING

**George Thomas Room, 1st Floor,
Central Hall, Storey's Gate,
Westminster SW1H 9NH
15 February 2011
Morning/Afternoon Session**

Members Present: Sir Christopher Kelly KCB (Chairman)

Lloyd Clarke QPM
Sir Derek Morris MPA DPhil
Dame Denise Platt
David Prince CBE
Dr Elizabeth Vallance JP
Oliver Heald MP
Rt Hon Margaret Beckett MP
Dr Brian Woods-Scawen DL CBE
Lord Alderdice

Witnesses: David Murray, Green Party Chief Executive
Dean Walton, Green Party Treasurer
Lord Feldman of Elstree, Co-Chairman, Conservative Party
Bob Crow, RMT
Graham Allen MP
Chris Fox, Chief Executive, Liberal Democrats
David Allworthy, Head of Compliance, Liberal Democrats
Amanda McLean, Institute of Fundraising
Glyn Barker, PwC
Ray Collins, General Secretary, Labour Party

**DAVID MURRAY (GREEN PARTY CHIEF EXECUTIVE) AND DEAN WALTON
(GREEN PARTY TREASURER)**

1. SIR CHRISTOPHER KELLY KCB (Chairman): Good morning. I am sorry to keep you waiting. What would be really helpful is if you could just introduce yourself for the benefit of the transcribers please.
2. DAVID MURRAY (Green Party Chief Executive): David Murray, Chief Executive of the Green Party.
3. DEAN WALTON (Green Party Treasurer): Good morning, my name is Dean Walton, I am the Registered Treasurer of the Green Party and I also sit on the party's executive as our Finance Co-ordinator.
4. SIR CHRISTOPHER KELLY: Thank you. We do not on the whole encourage long opening statements and we have had your evidence. Is there anything either of you want to say by way of general introduction?
5. DAVID MURRAY: I do not think so.
6. DEAN WALTON: No, thank you.
7. SIR CHRISTOPHER KELLY: Just to be clear, we have benefited from evidence from the Green Party of England and Wales, the Green Party of Northern Ireland and the Green Party of Scotland. You are representing the Green Party of England and Wales but presumably you have similar policies?
8. DAVID MURRAY: Yes.
9. SIR CHRISTOPHER KELLY: Thank you very much. I hope I am not oversimplifying by saying that you appear to be a national party but with relatively limited representation in Westminster which must give you a particular perspective on the problem of funding political parties. From where you sit what would you think are the main problems of the current system?
10. DAVID MURRAY: I think your summary is correct. Basically we are a small party with small resources and not the same representation as the other parties that we are competing with in elections. Of course that means that because of the nature of the way that we receive most of our funds through membership and through small donations from the members that we are actually not really competing on a level playing field when it comes to elections, because the funds are behind our party as they are in the same way with the other three main parties.
11. SIR CHRISTOPHER KELLY: I can understand why that might cause difficulties for you. Should the rest of the public be concerned about that?
12. DAVID MURRAY: I think if they are concerned about democracy they should be because if we do not have the same opportunities to get our message to the electorate as other parties might then our message is simply

being lost. That is not because people are not interested in hearing it or because we are not interested in telling people, it is because we do not have the funds there to support our campaign in the same way that the other parties do.

13. SIR CHRISTOPHER KELLY: There are lots of other groups of people who might say the same thing, some of whom might have messages to impart that might be less attractive than yours might be. So where does the level playing field start, in your view?
14. DAVID MURRAY: I would say that we are certainly a party that promotes democracy and that means that we expect that there will be people who have very different political views from ours. So I would actually say it starts at a very low level, the idea is that we would like to be able to open up the system so that more political representation can exist than is currently the case. The example of a £500 fee for constituencies is one example of that. Lots of very small parties just will not start or will not get representation as broadly as they might like simply because they do not have the funds at the local level to do that. So I would say that the starting point is actually much lower than it currently is.
15. SIR CHRISTOPHER KELLY: But the £500 is presumably there for a reason, which is to stop completely spurious people from standing?
16. DAVID MURRAY: Yes, but I think that probably comes down to regulation rather than to funding. At the moment it is basically, "Do you have sufficient cash to put yourself forward?" rather than, "Do you have sufficiently sane policies or thinking on the political system or local issues to you?" so I would suggest that we need to separate the two things out and we need to think about how we might regulate a system that then enables other political representation from the current system of how we fund that representation.
17. SIR CHRISTOPHER KELLY: So more bureaucracy and more regulation?
18. DAVID MURRAY: No, I would not say more bureaucracy, possibly some more regulation, just a change to the system. Just a change so it is less reliant on you needing to have the cash there but possibly a little bit more scrutiny as to how it is that you might gain the opportunity to be a candidate in your area.
19. SIR CHRISTOPHER KELLY: There are a number of places in your evidence where you say there is an issue that should be addressed, like you say the targeting of national spending on campaigns and marginal or target seats should also be addressed. If you were totally redesigning the system what would be the main features of it?
20. DAVID MURRAY: I think on that point --

21. SIR CHRISTOPHER KELLY: I do not mean just on that point, I am quoting that point as an example.
22. DAVID MURRAY: Okay. That certainly is an issue because of course if you can pull together resources that are meant to be spent at a national level but are being targeted in on a specific constituency then of course you are creating a very uneven playing field for people to compete in, in a campaign environment. So there certainly is a requirement I think to look at how the current system is monitoring and evaluating how money is being spent and I think again that probably does come down to greater scrutiny of the system that is currently in place because we simply would not be able to, if we pulled the money that we had together at a national level and put it into one target constituency compared with the three other parties we certainly would not have the same funds behind us and we do not think that is right. The money is there for a specific reason and it is being used for quite a different reason, so I think it does come down again to how we scrutinise that system as it stands, rather than any major overhaul of the system in itself. I think it is just the case really of making sure that the funds are being spent in the way that they are intended to be spent, which I do not think is the case.
23. Another example that we refer to in our evidence relates to by-elections and the £100,000 figure which again causes issues for smaller parties. We simply will not be able to generate that kind of cash.
24. SIR CHRISTOPHER KELLY: I imagine I am right in thinking that you are a party that stands or falls by the extent to which you engage with your membership. Are there any lessons that the other parties can learn from what you have done in that regard? The reason I ask that question is because one of the assertions that is often made is that the effect of very large donors on the other parties is to hollow them out and to decrease the incentive for them to engage with their membership. What follows from that is that if you were to stop large donations is it cloud cuckoo land to think that the major parties could re-engage and rely more on donations from membership? I wondered if there was anything in your own experience of starting and sustaining a party which you think could shed some light on that.
25. DEAN WALTON: I will reply to that question, if it is okay. We are a party of about 12,000 members and looking at our last annual accounts overwhelmingly our money that we use both for campaigning and running our party comes from our members. I have just had a quick look, before I came, it is not quite the back of an envelope but it almost is, of what the headline figure is for donations that we took over £5,000. Declared on the Commission's website for the year to 31 December 2010 we received something like about £25,000 of donations larger than £5,000. In the year 2009 we received £66,000 and in 2008 we received at the national level nothing. So as you can see the money must come from somewhere for us to fight our campaigns and to win our MP and also our two MEPs and also our councillors across the country. Overwhelmingly it comes from our party members who pay subscriptions and who give small donations by means of what you might call

traditional fundraising activities.

26. On top of that we also have a whole range of more, shall we say, locally funded fundraising activities that our party takes. That is the basic facts I would like to point out about that. If you have got any follow-up questions I can take those forward.
27. SIR CHRISTOPHER KELLY: One of the things that is sometimes said to explain the decline in membership of political parties, although some of the parties will say that their membership is becoming healthy again, is that it actually costs more to maintain a member than it does in terms of the income you get from a member. That is presumably not your experience?
28. DAVID MURRAY: That is not the case for us because we would not exist if that were to be the case, to be honest. It probably costs in the region of £5 to £10 per member to administer a membership that is three times that, so it certainly does create money for us. It provides about three-fifths of our annual income, so membership is extremely important to our financial welfare.
29. SIR CHRISTOPHER KELLY: So does that mean you charge more as a membership fee than the main parties do?
30. DAVID MURRAY: No, I think we probably charge less.
31. SIR CHRISTOPHER KELLY: Do you think you are more efficient than them at maintaining the membership?
32. DAVID MURRAY: Yes, absolutely.
33. SIR CHRISTOPHER KELLY: So you think the cost of £5 per member would be lower for you than it is for the other parties?
34. DAVID MURRAY: Yes, I would suspect so. It may well be that they offer more for their membership than we do but we certainly make sure that we do not spend more than we receive per member because one of the main reasons that we require membership is because we need the funding to support our electoral campaigns.
35. DR BRIAN WOODS-SCAWEN DL CBE: I would like to talk about donations more generally. Let me share with you some of the evidence we have had in previous weeks. There is one piece of evidence which has been recurrent from a wide range of people that people give to political parties because they support the objectives and the outcomes that the party is seeking to achieve. In your written evidence you challenge the assumption that donations are altruistic in that way. But the fact is that we have had no evidence whatsoever that donations create real influence and therefore the presumption must be if there is a concern it is about the perception of influence rather than the reality. Do you think if that were the case that to deal with a perception is sufficient to bring forward a very significant cap on

donations as compared with the current system?

36. DAVID MURRAY: I do not know whether I am surprised or not about there not being evidence of money buying influence in a party. I suspect very much that that is the case when you talk about large donations, I think it is probable that it is not that obvious how that influence is gained specifically because the person trying to buy that influence is trying very hard to not let others outside of the party know about. I suspect that the parties themselves also try very hard to keep that hidden. So I suspect that we would really struggle to find evidence, because people are setting out in the first instance not to create that evidence in the first place. But to suggest that there is not any influence in the Labour Party from the unions I would certainly question. To suspect that there is not any influence from major donors within the Conservative Party again I suspect there is plenty of anecdotal evidence that exists.
37. DR BRIAN WOODS-SCAWEN: Let me return to the question. Do you think your suspicion, as you have described it, the perception, as I have described it, is sufficient to make a radical change to the regime and to produce a very significant reduction in the accounts?
38. DAVID MURRAY: I do and the reason is because it is not just my perception, I think it is to do with public perception and I think one of the things that this investigation is considering is public perceptions of politics and to have a cleaner political system I think should be right at the centre of a vision for change to the system. So yes, I do not think it is too weak to say that because there is a large public perception about buying influence in political parties that we should not address it. I think we absolutely should.
39. DR BRIAN WOODS-SCAWEN: So you think it would be justified even if it were argued on perception rather than reality?
40. DAVID MURRAY: Yes.
41. DR BRIAN WOODS-SCAWEN: Okay. You have also argued that a £5,000 cap would be adequate to restore public confidence in the system. £5,000 is a lot of money for a lot of people. There are many people who might think that £5,000 buys you a lot of influence, because it is equivalent to their annual income, for example, in the case of some pensioners. Why do you think £5,000 is the right amount?
42. DAVID MURRAY: Unfortunately I did not come up with that figure and was not privy to the conversations that brought it about, but I would certainly recommend that consideration and probably further investigation is required to determine what level of cap might be appropriate. But a £5,000 figure, whilst I take your point, is still very low compared with some of the figures that are received by the political parties from single donations.

43. DR BRIAN WOODS-SCAWEN: But you would be open to the argument for a reduction in that amount?
44. DAVID MURRAY: I think we would need to be careful because of course it is almost like asking a turkey what it thinks about Christmas, because we are talking about money that is needed for this political organisation to continue to function and we would need to know exactly what the system was that went around with that cap. We would need to know what State funding is available, what the regulations around electoral campaigning and canvassing are, because certain activities like knocking on people's front doors does not cost very much money at all, in fact it is almost free. So there are ways that we would change and adapt to a system that provided less money for campaigning but we would need to know about the wider environment that went with that cap.
45. DR BRIAN WOODS-SCAWEN: Are you able today or perhaps subsequently to give us a sense of what the impact on your total income would be if donations were capped at £5,000?
46. DAVID MURRAY: We referred to those figures earlier. £25,000 in one year so that is five donations of £5,000.
47. DEAN WALTON: Perhaps that is what I could clarify. Those were the donations that we received at the national level. In addition to those figures I read out a few minutes ago, I can make sure that your staff have these figures if you find them useful, it ranges in figures from about £40,000 in 2008, £55,000 in 2009 and £32,000 in 2010 that were received by our local accounting units.
48. DR BRIAN WOODS-SCAWEN: That would be very helpful if you could give us some further information.
49. DEAN WALTON: So what we are looking at, in terms of if all of those donations were £5,000 or more last year we would have lost possibly about £56,000 across the party including our local and our national party. The previous year it would have been about I think £120,000 and then £40,000 in the previous year. In addition to that we do receive a handful, I think three corporate donations. If they were covered by the same cap as well, because I think it is individuals we are talking about, we would have lost an extra £40,000 over the last three years.
50. DR BRIAN WOODS-SCAWEN: Okay, so not insignificant in terms of your financial model.
51. DEAN WALTON: No.
52. DR BRIAN WOODS-SCAWEN: Okay. Let me broaden that question, then and share with you some of the financial analysis that we have done. For almost all political parties if there were a significant cap on donations even with some reduction in total expenditure there would be an enormous hole to

fill, so either we are not going to have political parties at all, because they simply do not have any money, or we have got to find another way of plugging the gap. How do you think the gap should be plugged?

53. DAVID MURRAY: Our system does not rely on major donations and in some respects we are very proud of that. We do rely on lots of individuals giving at a smaller rate, so I would suggest that if political parties are going to survive under a different system they would certainly need to adapt to that change and I think that we are probably best placed to survive under those types of conditions because simply we do not have the funds that other parties have and we do rely on individuals giving a £5 or £10 rate rather than a £5,000 or £10,000 rate. So I think it would be just a change in the way that you would raise your funds rather than necessarily seeing political parties disappearing.
54. DR BRIAN WOODS-SCAWEN: Even if that were desirable, do you think that is a model that could be applied to all parties, given their history, and also is that a change that could be made overnight?
55. DAVID MURRAY: I do not know what kind of timescales would be needed for parties to be able to adapt without disappearing, but I suspect that if a political party has a membership of 200,000 or 300,000 members then you have got a very large warm audience to approach for £5-worth of donations. So it is just the way that you communicate with your membership and making the point known that there is a change to the funding system, so that members do consider to dip into their pockets to support their party. We manage to raise funds through our 12,000 membership. If you add a couple of noughts to that for the larger parties then you should still be able to financially sustain your activity.
56. DR BRIAN WOODS-SCAWEN: If a change of this kind were likely to put at risk the financial stability of other parties, what would your response be?
57. DAVID MURRAY: Sorry, could you repeat that?
58. DR BRIAN WOODS-SCAWEN: If the change of a kind that you are recommending was such as to put at risk the financial stability of other parties because of the radical change in the funding model, what would be your response to that?
59. DAVID MURRAY: Well, I think as it says in our evidence we are not just talking about caps, we are also talking about State funding, so we are not saying, "Let us just take away the rug from under people's feet", we are also very much, as I said earlier on, about democracy and about giving people the opportunity to represent different political views. So we do not necessarily want to see other political parties disappearing simply because of poor financial management or some similar situation. It would be a case of saying, "Okay, so what is the alternative? What State funding would be available?"

60. DR BRIAN WOODS-SCAWEN: Okay, so we plug the gap with State funding. The analysis would suggest that would mean an increase in State funding as compared with the current model. Do you think that is realistic in a landscape of cuts? How are people going to respond to the proposition that are going to close some libraries, we are going to cut a lot of care services, we are going to reduce spending on education and by the way, we are going to spend more on political parties?
61. DAVID MURRAY: I think the Green Party would not be in support of that either. I would like to know how significant the jump might be in State funding that might be needed, because actually I would like to challenge what some of the larger political parties might say is needed to plug their gap, because it would probably be them that suffered the most and the quickest. I think as I said before there are certain activities that can be done and in fact the most effective activities that can be done are extremely cheap when it comes to electoral canvassing and campaigning. So to operate on a smaller scale across the board requiring much smaller amounts of money I do not think is a problem. So we would not necessarily need to increase State funding significantly.
62. DR BRIAN WOODS-SCAWEN: So an assumption of what you are saying is that a lot of parties spend more than they need to in terms of the outcome for the political process?
63. DAVID MURRAY: Yes. To give you an example and I think I am right in saying, that during the general election the Conservative Party spent approximately the same amount on their billboards campaign alone as we spent on the whole of our electoral campaign. So that is just putting up adverts around the country. Now how effective was that? Would it have been as effective at a 10% amount of spending? I do not know, but I am suggesting that people can think about how basically if you want to survive under a different system you need to adapt the way that you take forward your campaign.
64. DR BRIAN WOODS-SCAWEN: So would a component of your recommendation be a substantial reduction in the expenditure allowed?
65. DAVID MURRAY: It would have to consider that, would it not? If we were significantly decreasing the amount of money available, otherwise we would just be setting up people to make themselves bankrupt.
66. DR BRIAN WOODS-SCAWEN: Okay. Can I just ask a couple of questions further about donations? We referred to trade unions earlier. What is the evidence that trade unions have a significant influence on Labour policy?
67. DAVID MURRAY: Okay. Well, we could maybe go away and find some evidence for you but I could point to the coverage of the leadership debate in the news to suggest there is evidence there. If the media is picking up on something like that it is not a mistake, it certainly is there. The amount

of funding that is put into the Labour Party from the unions, if I am right with my suspicions about buying influence I would suggest that the unions do have a very strong hold on the Labour Party and its development of policies and its selection of its leader and the running of the party.

68. DR BRIAN WOODS-SCAWEN: But conversely we have had a lot of evidence that in the 12 years, 13 years of Labour Government from 1997 there were massive amounts of trade union-supported policies which were not implemented by the Labour Government. Does that challenge your view?

69. DAVID MURRAY: It does challenge it, I suppose it questions have the people who have bought the influence paid enough or are they sufficiently good at negotiating and bargaining? You know, I am not suggesting that the unions run the Labour Party, I am just suggesting that they do try to buy influence.

70. DR BRIAN WOODS-SCAWEN: One final question. You argue in your evidence that donations from companies and associations should be banned altogether. Why is that?

71. DAVID MURRAY: I suppose it is similar reasons for capping union support. Businesses can benefit from changes to legislation and policy and changes in taxation systems and the like and for that reason we are not keen on seeing companies with hundreds of millions of pounds available to provide support to political parties to do that, and therefore influence how that party presents itself.

72. I do not know myself why we have proposed that there is a complete removal of funding in a way that we have not with unions, but I think the principles are very similar, that if you have got huge amounts of cash at your disposal and you want to influence the State that you operate in with a view to being able to get back more money than you have put into that political party, that is why we are not very comfortable with it.

73. DR BRIAN WOODS-SCAWEN: But in the absence of evidence that comes back to the argument around perception and public trust at least as strongly as the reality.

74. DAVID MURRAY: I agree. It is a perception thing but it is much the same, I am sure if you asked 100 people on the streets whether or not a large business that is putting lots of money into the Conservative Party has any influence over the party I suspect that a very large percentage of those people would say, "Yes, I suspect that they do".

75. DR BRIAN WOODS-SCAWEN: Okay, thank you very much.

76. LLOYD CLARKE QPM: Before I ask a couple of questions on expenditure, could I just follow up on how you actually finance, what your business model might be for finance please? We have heard some evidence that perhaps parties should be split into two separate parts, one for

campaigning and the other, which is maybe a subsidiary, which is the running of that political party itself, rather than the campaign. I am wondering if you can separate that out for me please in terms of your account. What is the amount that you have got to run the party and then what do you spend on campaigning?

77. DEAN WALTON: Our accounts for 2009 show that out of our overall income of something like £814,000 some £273,000 of that was spent on campaign expenditure.
78. LLOYD CLARKE: Sorry, how much?
79. DEAN WALTON: £273,063. What I can do is I can make sure that an electronic copy of these is available to the clerk so it is there for your evidence at some point. I have not got the analysis to hand but it looks like we spend something of the order which would suggest about £350,000 a year at the moment on running our party of 12,000 members. I will check that.
80. LLOYD CLARKE: So is that at a national level and at a local level?
81. DEAN WALTON: That is the national level only.
82. LLOYD CLARKE: That is the national level only?
83. DEAN WALTON: Yes.
84. LLOYD CLARKE: So what might be the cost in terms of local level? Would you have an idea of that?
85. DEAN WALTON: In terms of the administration it would be very low because we rely almost exclusively on a volunteer army of activists and party members to deliver our services locally. We have one paid national election agent and a handful - I could probably name them straight away - of paid party staff. It is probably Norwich Green Party, Brighton & Hove Green Party and it is probably something like Lancaster. Do not quote me on that particular item but a very few number of our local parties have paid staff working for them. It is done by volunteers.
86. LLOYD CLARKE: Right at the very beginning you had talked about a need for greater regulation but is that not surely a disadvantage to smaller parties such as your own, which rely on this great volunteer base? Who is it that fills in the forms at a local level and can they do that on a regular basis and so on?
87. DEAN WALTON: Our forms are filled in at a local level by our Registered Treasurers, our accounting unit and the other officers of the local parties and they do fill out the forms but I guess the other side of it is as you know there are not that many donations that come in that would certainly reach the £5,000 threshold, so there is not necessarily that many forms that

they have to fill in.

88. LLOYD CLARKE: Okay, so if that amount was lowered from the £5,000, clearly it would create a bigger bureaucracy that would have to be, as it were, supported, again presumably at a local level?
89. DAVID MURRAY: I think we would need to step up our efforts nationally to better support volunteers who needed to complete those forms to understand the reasons why they are doing them in the first place, how important they are, what information they need to be able to capture. But also we probably need to rely on the Electoral Commission's support as well to make the system even more accessible than they are currently trying to do.
90. LLOYD CLARKE: Would you say therefore that there is an argument for treating parties differently, i.e. smaller parties not to have the same level of bureaucracy that a larger party has? That has been suggested to us and I am wondering what your view is on that?
91. DEAN WALTON: My view is that there is a lot of regulation from the Electoral Commission but as you say part of the reason for that is to ensure that the public have confidence in our political and electoral system and so whilst it might be convenient for me to suggest that we should reduce that regulation just because it makes my job easier, I would not want to reduce it if that gave ground to those people who did not have confidence in our system. So it is a balancing act and I think it goes back to the point that the gentleman here was talking about, about issues of perception and those types of things. So that is my view on that.
92. LLOYD CLARKE: Okay. If I could just follow up one other question in respect of State funding. One option might be, for example, for an element of State funding to be given by virtue of tax relief on donations. I wonder if you have thought through the implications of that and what impact that might have on your financial receipts. Would it greatly impact on donations if there was a tax receipt element?
93. DEAN WALTON: It could do. At the moment I think the only tax relief we are entitled to get by virtue of having one MP and having secured sufficient votes is on legacies, inheritance tax. It comes before you calculate the threshold, so there is quite likely to be a situation where tax relief on say membership subscriptions and/or donations to political parties would clearly have a positive impact on ourselves, there is no doubt about that. Yes, I will leave it at that.
94. LLOYD CLARKE: Okay. Thanks. Can I turn to expenditure because in your written evidence you actually call for a cap on both local and national expenditure and given the fact that none of the parties came even close to the limit over the last few years what would you like to see achieved by reducing those current limits? What is the purpose of you advocating a cap?

95. DAVID MURRAY: I think it comes back to the idea of the level playing field really, that it should not necessarily disadvantage financially smaller political parties simply because they do not have the funds behind them and I think the idea of the cap would be to ensure that there is no large disparity between some of the smaller operations and some of the larger ones. So whilst I take your point that maybe it was not reached it would ensure it, it is basically a preventative measure.
96. LLOYD CLARKE: So what might the cap be? What would you want to see the cap at?
97. DAVID MURRAY: I can come up with an arbitrary figure but I do not think it would be the right thing to do. I think probably we need to see further investigation into determining that cap.
98. LLOYD CLARKE: Okay. You also said you want to see an end to national targeting of marginal seats. Can I ask you why is that? Is that not what politics is all about anyway?
99. DAVID MURRAY: Are we referring to finance at that point because that comes down to the same point that we were making earlier.
100. LLOYD CLARKE: Yes.
101. DAVID MURRAY: You know, if you have got a significant amount of national funds available to one or two parties and a much, much smaller amount of funds available to smaller parties and those funds are aggregated and then pushed into one constituency then what you are doing is you are creating a campaign where one party can absolutely flood that constituency with its people and its canvassing and its advertising whilst other parties suffer because they cannot provide the same funds to provide the same type of campaign.
102. LLOYD CLARKE: Do you have any evidence to say that that actually works? I mean you mentioned the billboard campaign.
103. DAVID MURRAY: We call it “target to win” and that does work, that was the Obama campaign, that is what a lot of political canvassing is here. It is making sure that the resources you spend are spent in the places that you know are most likely to make the biggest impact on vote share. We do that. We make sure that we focus the limited resources we have got on the places that we suspect we will win and we had three target constituencies in the general election and one of those three generated success. But if we spread all of our resources across the whole country then we would probably decrease our chances.
104. LLOYD CLARKE: It seems to me that you are articulating an argument which is a good argument that national targeting on marginal seats is right. You actually say that you do it, and I am not saying there is anything wrong with it, but that it seems totally acceptable. It is your choice and that is where

you feel you can have success.

105. DAVID MURRAY: It works, but the problem is that it does not work in a fair way, because if you can put £5 million behind a constituency whilst another party can only put £5,000 behind it, then you are going to lose because you have not been able to saturate that constituency.
106. LLOYD CLARKE: Okay, so are you suggesting then there should be a cap on local expenditure in that way when people are targeting seats? Is that where you would like to see a cap?
107. DAVID MURRAY: Yes.
108. LLOYD CLARKE: Of what amount? Again what is reasonable?
109. DAVID MURRAY: I would have to put it back to you, I am afraid, because I think it would require further investigation and I do not think it would be fair and reasonable for me to suggest a figure.
110. SIR CHRISTOPHER KELLY: So you would put a cap on spending but presumably it would be up to you how many volunteers you used at no immediate cost?
111. DAVID MURRAY: Yes.
112. DAVID PRINCE CBE: Thank you. Just a question now about third parties. It has been put to us that if there are caps on donations then funding money will be channelled into think tanks and campaigning organisations and so on. I wonder what your thoughts are on that and whether you would advocate the sort of controls on a wider range of third parties that you have been advocating for the parties themselves?
113. DAVID MURRAY: So you are suggesting that money rather than going to political parties would go to think tanks and political organisations?
114. DAVID PRINCE: That has been suggested to us and therefore that we should be looking as well at how those are regulated and whether the regulation should be tighter. It was something I wanted to explore with you, if you have a thought on it?
115. DAVID MURRAY: Just off the top of my head because this argument has just come to me now, so apologies but the type of regulation that we see in the third sector through the Charities Commission, there may be certain things within that model that might lend itself well to think tanks. But in the same respect you can see that most think tanks tend to align themselves quite squarely with one political party, so it would not be reasonable to suggest that they remain apolitical because it would change the nature of the research and the nature of those organisations.

116. The benefits I think to the political parties are less directly going to influence the share of the vote. It is just going to I think probably improve the opportunities for those parties to develop their own policies, which I do not think is a bad thing. So I am more relaxed about there not needing to be regulation for those types of peripheral organisation because it may be a healthy thing that think tanks receive more funds and therefore can spend more time and money on researching well thought out policies.
117. DAVID PRINCE: Thank you. Just one final question, are there any other changes in the regulatory and enforcement framework that you would like to see?
118. DAVID MURRAY: I do not think so.
119. DR ELIZABETH VALLANCE JP: Could I just gather up some of what I think I have understood you to be saying and ask you a question out of that. You are advocating a package, you are saying not just a limit on donations but also lower spend and an element obviously of State funding. In your evidence you talk about repackaging State funding and we perhaps have not talked about that, but do you just off the top of your heads have a view of how that might be done? Are there elements of State funding as presently constituted that you think could be better put to use elsewhere or would it simply be a matter of having a pot with nothing differentiated?
120. DAVID MURRAY: We do not benefit from all State funding that is available to political parties because of the size of the organisation that we have and one area in particular relates to the money available for policy research and development. I would argue in fact that smaller political parties are in more need of that type of funding than the larger ones are, so I would suggest that there are things that could be done to the way that the State funding system exists currently that would benefit smaller parties. I think it would not be unreasonable to suggest that there is some form of fund that helps to pump prime smaller political parties in its policy development that benefits those smaller parties more so than the larger parties, because they do not have the same funds and resources behind them to develop their policies.
121. DEAN WALTON: Can I just come in on that particular point as well? Whatever the pot of fund or the size of the fund, whether it might be available, it is also important to be clear about how that be allocated. Typically at the moment it is allocated on a level of representation in various Parliaments and the like. Obviously the other mechanism which you have presumably looked at is looking at the vote share and those types of ways of ensuring a share.
122. SIR CHRISTOPHER KELLY: Just one very final follow-up, detailed question. You spoke about tax relief for membership and donations and you appear to be in favour of that. If it was to be introduced do you think the advantage it would give you would simply be tax relief on your existing donor membership base or do you think it would have the effect of increasing that base? Do you think that it would provide incentive to people who are not

currently members?

123. DEAN WALTON: Personally, before I was going to go on the record for that I would need to do a little bit more research and I am happy to answer that question in writing at a later stage.
124. SIR CHRISTOPHER KELLY: I am not quite sure how you would research it but I would be interested.
125. DEAN WALTON: Part of my research would be thinking how to answer the question.
126. SIR CHRISTOPHER KELLY: Thank you very much. Is there anything that we have not given you the opportunity to say that you would like to say to us?
127. DAVID MURRAY: No. Thank you very much for your time.
128. SIR CHRISTOPHER KELLY: Thank you very much for coming. If you could let us have the electronic version of the accounts, that would be great, and thank you very much for staying beyond your original deadline
129. DEAN WALTON: No, that is fine. I am going to get a taxi now.
130. SIR CHRISTOPHER KELLY: Can the Green Party funds stand that?
131. DEAN WALTON: It is definitely not on expenses.

LORD FELDMAN OF ELSTREE (CO-CHAIRMAN OF THE CONSERVATIVE PARTY)

132. SIR CHRISTOPHER KELLY: If our next witnesses would like to come forward please. Thank you very much for coming to talk to us this morning. It would be very helpful for the benefit of the transcribers if you could introduce yourselves, please.
133. LORD FELDMAN OF ELSTREE (Co-Chairman of the Conservative Party): Yes, I am Andrew Feldman, I am Co-Chairman of the Conservative Party and my colleagues here, who are not giving evidence but who are here to assist me if there are any points of fact that the Committee needs to have clarification on.
134. SIR CHRISTOPHER KELLY: Thank you very much. We have received your opening statement which we will read into the record and we have all read. Thank you for that. I do not think we need to put you to the trouble of reading it.
135. LORD FELDMAN: I am happy to read it insofar as it sets the context but I will leave it.

136. SIR CHRISTOPHER KELLY: I think you can assume that we have all read it.
137. I would like to begin with two general questions, please. One is in the evidence itself you talk about the objectives of the Neill report, our predecessor Committee, as having been largely achieved. That may be so in terms of process but has it been achieved in terms of outcome?
138. LORD FELDMAN: Well I think so. I think that a lot of the information that we now have available to us about funding political parties we would not have had before that, so the transparency side of things I think has worked very well. I think also you have declaration of donations, you have the compliance process that all the parties have to go through and I think that insofar as transparency was the primary declared objective I think it has been achieved.
139. SIR CHRISTOPHER KELLY: Yes, but transparency was not an objective in its own right. It was an objective presumably because our predecessor Committee thought that it would clean up the system, improve public perception and so on.
140. LORD FELDMAN: Yes. I think public perception, the sense that the public are unhappy with the way that the parties are funded is difficult to measure or quantify. I have not seen much research on it. There is a media perception that it has not satisfied the public about the way in which parties are funded. On the other hand I think the counter argument, which is also very strong, is that I do not think there is much public appetite for more public money to be deployed in the funding of political parties. So I think the public would accept that they need to be funded, that we need political parties, they need to be active and they need to be communicating with the electorate. They may not be entirely happy with the system that we now have but on the other hand they would probably also be extremely unhappy if they were told that it was going to be funded from the public purse to a much larger extent than it already is.
141. SIR CHRISTOPHER KELLY: That is a statement of the dilemma and you might be at risk of sounding as if you thought it was just a question of perception and there was not a need to do anything very much. Yet your manifesto talks about seeking an agreement on a comprehensive package of reform marking the end of the big donor era, so presumably you think the problem of perception, if that is all it is, is sufficiently serious for there to be a manifesto to do something about it.
142. LORD FELDMAN: Yes, and I think that is right. I think the problem with perception is a serious one. I think that taken in the light of the MPs' expenses scandal and other things which have eroded public confidence in the political process I do think that perception is important, but I think in seeking to address that problem of perception you do not want to tip the balance too far the other way, which creates a different kind of problem which is around public funding which will also create a bad set of policies. I think it is

a delicate balancing act that we are engaged in, you are engaged in, to get to the right place and I do not think that a lot of these things are very measurable, and it is not ultimately a scientific process, it is an act of judgement.

143. SIR CHRISTOPHER KELLY: I hope we are all engaged to try and find a solution to this.

144. LORD FELDMAN: Yes, absolutely. What I mean is your decision, my contribution.

145. SIR CHRISTOPHER KELLY: As you say the problem is, to put it in its most crude form, everyone would like there to be a cap on donations because that is the only direct way of dealing with the issue, whether it is perception or substance, but that raises the spectre of State funding. In your very clear statement of what you think ought to be done you seem to stop there. You say State funding would be very difficult and then you start talking about tax relief. Do you think that the simple introduction of tax relief would be sufficient to allow you and us collectively to square the circle?

146. LORD FELDMAN: I think that tax relief is hard to do, the mathematics of the projected decrease in income based on the imposition of a cap and it depends on the level of a cap. I think that the level of a cap at around £50,000 which would be imposed on individuals, companies, trade unions, combined with tax relief on donations and the existing public funding which exists through Short Money and Cranborne Money and television advertising, television time during elections, would go quite a long way to dealing with it, but I would not be able to say, because I do not think any of us know, precisely the balance of the numbers. I mean it would be conjecture, but I think there is an important point of principle here, which is the one that I am concerned about.

147. If you move to the State funding of political parties by direct grant as opposed to something which is done around the level of contributions that you achieve in a sort of gift aid scheme that you are changing the constitutional balance. There is no question that in this country, in the United States, Australia, we have political parties which are privately funded. We do not make our political parties organs of the State, part of the State and that does give us a certain amount of flexibility in our constitutional settlement. You can get new parties emerging which are funded privately. If you embed a system of State funding around the existing main political parties you do change the balance. I think that is a risk.

148. So in answer to your question I think that as far as we can tell the kind of State funding that we support wholeheartedly would be around gift aid, and the reason we feel strongly about that is because we think it would deal quite well with the public perception of using public money to support political parties, because people would equate it with what happens in charities. A lot of the public are very familiar with what happens with charities. They see charities receiving gift aid as a positive thing, so they would I think see this as

an extension of that and it might also do something to enhance the reputation of political parties if people thought they were given a sort of quasi charitable status and that they were fulfilling a public service.

149. SIR CHRISTOPHER KELLY: There are a lot of issues. Can I be absolutely clear about one question, though. You are saying, as co-chairman of the Conservative Party, that if a cap was introduced at the level of £50,000, which is what was proposed last time, and tax relief was introduced, the Conservative Party would still be a going concern?
150. LORD FELDMAN: It would be a going concern but my guess would be that we would have a substantial reduction in our income for an interim period. At the moment about 37% of our donations are donations of £50,000 or more, 37% by value. As a percentage of overall donations it is much less than 1% but by value, and so it would have a short and medium term impact on our ability to run the party. We in common with most political parties have our debts under control and are much better managed financially but we are still hand to mouth in terms of income so in the short term the potential loss of income would not be immediately offset by the tax relief. But the argument would be, I think, over say a five-year period you might start to balance things out.
151. SIR CHRISTOPHER KELLY: So there would be a transitional issue with which to grapple?
152. LORD FELDMAN: Yes, absolutely.
153. SIR CHRISTOPHER KELLY: But taking a fairly long medium term view you would still be a going concern?
154. LORD FELDMAN: Yes, I think that is right, we would have to be very careful about the transition.
155. SIR CHRISTOPHER KELLY: If there was tax relief do you think that would simply give you an uplift on your existing donations equivalent to the tax relief? Or do you think that if there was tax relief either because you would go out to seek more donations or because people would have a bigger incentive to give donations you would be able to increase the donor base?
156. LORD FELDMAN: I think you probably could increase the donor base. I think that it would decontaminate political giving, it would have an important contribution to that. I cannot quantify that of course, but my instinct is that it would be a positive force that would encourage people to engage in political giving.
157. DR ELIZABETH VALLANCE: Good morning. Could I talk to you a little bit about political engagement because in your evidence you do emphasise this and you have talked about it again this morning. Obviously part of our interest if not our formal remit is to look at people's disengagement with politics and to see how far if at all reorganising or restructuring party financing

might in fact encourage more people to contribute. It is what you have just been talking about with the Chairman. In your evidence you say that the main reason for disengagement, if you like, and therefore the decline in party membership over certainly the medium if not the long term is cultural and social. Do you think that is so widespread and so deep that it would be really impossible to reverse?

158. LORD FELDMAN: I think that the way in which people are engaging with political parties is changing. So I think the traditional form of membership which had a very strong social dimension and a community-based dimension is in decline. You see the average age of members of the Conservative Party sort of goes up pretty steadily in terms of full formal membership. I think that is not an irreversible trend but would be very difficult to reverse and we are doing some things to do that by making the engagement at a local level less socially based, more campaign-based, more policy-based, with things like our policy forum and so forth. So I think that you need to try to do that.

159. DR ELIZABETH VALLANCE: But you think that politics could take over from snooker?

160. LORD FELDMAN: Yes, but the second point is this. I think that the way that people engage is changing, so I think that what we have noticed is an upsurge of people following us on Facebook or engaging getting an email, we send out emails and we get people signing up to an email newsletter, and that is in several hundreds of thousands, it is nearly half a million now. So they are not paid up members, they are not card-carrying members, they do not attend their local association but they are engaging in that way and I think the blogs and so forth are encouraging political engagement. I am more optimistic in that I am not really sure that I buy the argument that people are not engaged in politics. I think that the last election was fiercely fought, there was a huge amount of interest and the debates stimulated a lot of interest. I think that if you look at the blogosphere on the website there was a lot of engagement and I would not make this linkage. I am not sure you can make the linkage necessarily between membership and engagement, actually.

161. DR ELIZABETH VALLANCE: You are saying the kind of issues you are raising would, one would hope, increase the membership or at least the interest of younger people?

162. LORD FELDMAN: Yes. Younger people consume their politics in a different way than the previous generations, there is no doubt about that, and that linkage to a traditional membership model is changing.

163. DR ELIZABETH VALLANCE: You say in your evidence that participation in the Conservative Party, in your party, has increased over the last five years and that that has widened the traditional membership base.

164. LORD FELDMAN: Yes.

165. DR ELIZABETH VALLANCE: Has this then translated if you like into financial support for the party or is it just, as you are saying, people who show interest?
166. LORD FELDMAN: I think it has to an extent, I mean we have 80,000 donors. It is not that we have a few hundred, I made the point that only 1% of them is giving a more substantial sum of money, which by the way would be the model in any charity, certainly in the UK you would have big donors and small donors. We have 80,000 donors. Of those quite a lot are giving the money online and I think that would have been precipitated by the new forums of political engagement, through the website and through email and so forth. However, if you look at the United States the use of the internet and online communications did not immediately convert into effective political fundraising online, there was a sort of delay and I think really the Obama campaign, the Republicans to an extent but the Obama campaign was the first time that ongoing online engagement translated into multiple small donations. But it took ten years so I think that there is some evidence of it but this is at a very early stage.
167. DR ELIZABETH VALLANCE: Is that part of the thinking behind your comment to the Chairman when you are saying, "Yes, we would exist if we had a £50,000 donation cap but it would take time to make up and to find more finances"?
168. LORD FELDMAN: Yes. I think the thing about political fundraising and the transformation of the last five years is that it takes a lot of work. It is a very serious thing, you have to have a professional team, you have to have a team of volunteers and you have to try very hard and all the time. I think that there is historically, before 2005, I do not know much about what was happening then but certainly there was an emphasis on even a smaller number of larger donors and there were loans and things like that, and it was a sort of laziness of approach in a way. I think the Labour Party are still a little bit guilty of that because they have got the 14 affiliated unions and 80% of their money comes from those 14 unions. That is not a lot of phone calls to have to make, it is not a lot of effort, whereas I think culturally we are trying to change how we operate to just try much harder, to reach out much further, to have more events, to have more mechanisms of communicating to the electorate and we have made a lot of progress. But if you said to me tomorrow, "Would it be enough to offset the larger donors?" it would not, but I think the trend is definitely in the right direction.
169. DR ELIZABETH VALLANCE: You talked about decontaminating politics and it just made me think about having taken evidence, that perhaps parties could be split into a campaigning element and more of a social element, a civic subsidiary or whatever of parties. Do you think that is realistic and what do you think it would do if anything for encouraging membership and hence more financial support?
170. LORD FELDMAN: I think it would probably be practical to make the separation although on an informal level it does exist. So our associations are

sort of social other than when there are elections and then they become campaigning. The professional party at the centre is always campaigning and is not social. So you sort of have that split already and I am not sure formalising it would encourage more of it. I might be wrong.

171. DR ELIZABETH VALLANCE: Can I just finally ask you, and I suppose that I am interested in this because maybe it suggests an element of the big society, we have heard evidence and you refer in it also to giving political parties a quasi charitable status.

172. LORD FELDMAN: Yes.

173. DR ELIZABETH VALLANCE: That would depend on their being able to demonstrate their commitment, and this is why I say the big society, to this wider commitment in the community. Could you just elaborate a little bit on that?

174. LORD FELDMAN: Yes. I believe that political parties perform an incredibly important social function. I come from that position. I think they are of value. If you look at states that do not have political parties, they miss them and they would like to have them. So I start from the premise that they are basically a good thing and they are in some ways as good a thing as other great things like the RSPCA or the Royal Marsden. They serve, by definition, an important public service. So I start from that, and I think that what political parties are having to do in order to engage more and to communicate their message more - certainly with the younger generation - is to give them things to do and ways to engage. We have this Conservative Policy Forum we have relaunched. It is quite important, because people are feeling a way to input into the process of policy promulgation. We also have social action projects, which are hugely popular, because we actually get out in the community and do things: we repaint schools or build youth centres or put carpets down in old people's homes. That is hugely popular and they support our big society, our policy agenda. So there is natural flow from that, and I think in a way you do not need to separate them. I think the policy is a good policy, because it is good community engagement, and as I say, I start from the position that I think political parties are a good thing and should be encouraged.

175. DAVID PRINCE: Can I come back to donations and some of the things you were saying to the Chairman and to Elizabeth just about the trend of small givers growing? You suggested, if I heard you properly, to the Chairman that you might well become sustainable over time with £50,000 donation caps. Suppose the cap were the £1,000 that 98% of your people are giving at the moment. A lot of people have put to us in evidence that even that is quite high as a cap for many people. Could you ever become sustainable on small donations over time?

176. LORD FELDMAN: Without public funding, just to be clear?

177. DAVID PRINCE: Yes.

178. SIR CHRISTOPHER KELLY: Without additional funding?
179. DAVID PRINCE: Without additional public funding in the way that you were speaking of earlier.
180. LORD FELDMAN: I would say that would be extremely unlikely. You could, as a much smaller operation. I gave the example, and I gave it because it really struck me, in my opening statement of if you just wanted to send one piece of second-class mail communication to every member of the electorate once a year, it would cost you £14 million. Our annual budget, as it were, in peacetime in a non-election year is about £15.5 million. So if you want political parties to communicate effectively with a wide range of the public through the available media, and we cannot use broadcast media, but through the other things that are available, therefore having an annual budget of we think we need about £15 million or £16 million on the current, no, I cannot see you raising that in sums of less than £1,000. I do not think you would find a charity or voluntary organisation in the country that would sign up to that. I think they would find it completely impossible.
181. DAVID PRINCE: I think you did say - and I did not quite hear it - what percentage of your donations are received from the 98%. Can you remind me of that?
182. LORD FELDMAN: Yes, of donations over £50,000 it is 37%.
183. DAVID PRINCE: Yes, and the £1,000, the 98% of people who are giving £1,000, what proportion of your donations are they?
184. LORD FELDMAN: Perhaps my colleague here can work it out. Can I come back to you?
185. DAVID PRINCE: If you can let us know.
186. LORD FELDMAN: Yes. We have the figures here, but I just would not like to do the maths in my head quickly. We can certainly work it out. The percentage of donations which are under £1,000, essentially the value under £1,000?
187. DAVID PRINCE: Yes. Shall we move on then? You said in your main evidence that in the interests of fairness, the application of a cap would have to be consistent, comprehensive and applied equally. Can you unpack that for me a bit and say whether you think the differential effect this has on the different parties' finances does really present an insuperable barrier and how you would see that barrier being overcome?
188. LORD FELDMAN: 13% is the answer.
189. DAVID PRINCE: 13%. Thank you very much.

190. LORD FELDMAN: Look, I think that the application of the cap has to be across the board and it has to include the trade unions. That is really the thing which concerns us the most, because I think if it does not apply to the trade unions, it places them at a disproportionate advantage vis-à-vis the Conservative Party and the other parties, and I think there is a really good argument in principle on this. This is not just party politics. I think that it possibly was the case at their inception that the members of the trade unions were, in the vast majority, Labour supporters, and therefore the levy paid to the trade union was then paid on to the Labour Party, it had that sort of sense. It is patently not the case now. Within any trade union, you will get differences of political opinion and the polling evidence shows that not exactly split as the country is split, but certainly more towards that than 100% being Labour supporters.
191. There is no question that if your ambition is to remove the perception of undue influence from the large donors, with Unite contributing 33% of Labour's funds in the last quarter and trade unions contributing 80% of their funds in the last quarter that we have figures on, that is a big issue in terms of public perception, because people will perceive that the Unite union and other unions have a disproportionate amount of influence. It is actually formalised in things like the Warwick Agreement, and it is literally set out in exchange for donations, certain policy concessions are made.
192. But on the other hand, it is not a matter for me to suggest how the trade unions should look at their funding, but it strikes me there is a simple solution to this, which is that members of trade unions should be given quite explicitly the option to opt into the political levy on their membership application form, or I think they need expressly to be invited to opt in, and also to designate which political party they think the political levy should go to, because they are not all Labour supporters. Now, that is an important element of if you do not impose the cap, then I think you have to address that. Our primary position is the £50,000, in order to deal with the public perception of undue influence has to be imposed on the unions. If you do not, if you are not minded to do that, you treat the unions as a special case.
193. Our secondary position I think must be you have to look at this question of opt in, and the reason this is really a matter of concern is because when I asked my team at central office to pull out the membership application forms for the 15 affiliated unions, they managed to find 14 of them. I have them here and I am happy to share them with the Committee, but it is really interesting. Only three of those application forms mention the political levy at all on the face of the application form, and only two of them mention the ability to opt out, but say you have to write in to the union to do it. There is no obvious little tick box saying, "I would like to opt out of the levy". So I think that there is a distortion in the way that it is operating and I think the Committee needs to take that quite seriously. It is a rather long answer to a question, but I think that for it to be fairly applied, the cap, it has to take into account the trade unions by imposing the £50,000 on them, or in the second way that I have indicated in terms of the requirement to opt in, otherwise it will be unfair.

194. DAVID PRINCE: So the issues of principle, ignoring the politics and the fact they put a rival amount of money against your own party, your concerns are around the perception and then around the opting. We had quite strong evidence put to us in fact that even if the tick box and so on is not there, it has to be within the rules of the union and there have to be facilities for doing it, and people do opt out. It is tightly regulated and has been regulated for the last 50 years, and we have had a strong argument that it is something of a chimera, if you like, this concern, and that we should not be overly concerned about it.
195. LORD FELDMAN: The only way I can argue this, I do not know if anyone has put to you the example in Northern Ireland where members do have to have opt in. Only 35% of people opt into the levy where they are given the option to opt in, which indicates that the other 65% are making the decision not to pay contributions to the Labour Party and I think it is an important point. Look, all the other parties receive their donations from people making a donation to the party. The Labour Party receives a large proportion of donations from people who are not making a positive decision to contribute to the Labour Party. There is a fiscal levy which is then aggregated and then used in a specific process of negotiation - I think it is something like the Warwick Agreement - to extract policy concession. It is just a completely different dynamic to the other political parties. We talked about our small donors, donors under £1,000. They are individually collected, as it were. They are individually persuaded and making the decision to give the donation, as indeed are our members making the decision to become members and for a portion of their membership levy to come to the central party. So this is a much more active process.
196. DAVID PRINCE: Yes. You make the point that it is a historical anomaly, but again, it was suggested to us that there are two separate and comparable elements to this. There is the decision to donate to the political levy and then what the union itself does as a member of Labour Party is itself subject to quite extensive democratic procedures. People vote and elections are held for individuals and decisions are taken at conference about what to give. I just wanted to get at what the issue of principle is from your point of view that argues against the existence - which has not existed for many years - of two distinct and highly regulated and fully legal processes.
197. LORD FELDMAN: No, I am not arguing about the legality of it at all. It is not an argument about legality. It is an argument about fairness, really. It is an argument about putting the political parties on a level playing field, and at the same time dealing with the public perception - which is one of the purposes of the Committee - of excessive influence of donors on political parties, and I think that it presents a problem on both of those counts.
198. DAVID PRINCE: Can I just ask one other question on donations, and then I have a question on a different topic. Are you now finding that the existing reporting thresholds are acting as a de facto cap for all sorts of reasons, media attention, public perception, people are preferring to give just

under the limits?

199. LORD FELDMAN: Not really. I think people tend to give according to their means, on the whole. People do what they can afford. If they feel passionately about the cause and are minded to support it, that they support it in line with their means and the level of contribution they give to other sort of charitable and voluntary organisations. So if you looked at the profile of our donors, the same people that give large sums are the same people that are supporting museums and charities and are patrons of worthy causes around the country. They are roughly the same group of people. We are talking about a threshold of £7,500. There are some people of course amongst the mix who prefer not to have the publicity associated with giving a political donation, but in my experience, it is not a significant percentage.

200. SIR CHRISTOPHER KELLY: So that data set does not show a cluster around £7,499?

201. LORD FELDMAN: No. We can share that with you, actually. I am very happy to give the Committee that document.

202. DAVID PRINCE: Indeed, it would be helpful. Can I just come now to a point you make in your main evidence? You make a point about the recent Supreme Court decision on the application of the Electoral Commission. This was the case around the forfeiture of donations and you say, "The PPERA should be amended to reflect the decision of the Supreme Court in this case. Specifically, we believe it is unfair to penalise donors who are eligible to be on the register who fall off due to administrative oversight". I would just be interested to unpack the issue of principle here, because I guess from a public perception point of view that the counter-argument and one that the Electoral Commission are holding is that really, there is a great deal of advantage in people who give donations being explicitly on the electoral register. If you weaken that principle, there is a risk that the parties might become less scrupulous and do less due diligence than they have to at the moment. I would welcome your views.

203. LORD FELDMAN: The first point to make is we are really scrupulous and we do a great deal of due diligence around this about whether people are or are not on the electoral register. But I can tell you that because there is not a national electoral register, what happens is that you have to go to each of the local authorities to get the electoral register and the most up-to-date version and then collate them, and each of them prepare the data in a slightly different form. Therefore to produce a central database, which we have, is incredibly complicated and time-consuming. So what we do is we have a central database which we check against, and that is pretty reliable. However, sometimes someone will not appear on that and you have to phone the local authority just to check, because the person who wants to give a donation is absolutely convinced that they are on the electoral roll, and the local authority will sometimes give you a contrary response, and there can be a timing issue about when the form went in, whether the form was properly processed.

204. There is not some sort of big reliable central database. This is administered at a local level in lots of different formats and not always in a consistently professional manner, and so it is possible for a political party to make a completely innocent error based on the data that is available. It just strikes me as being reasonable that if it is demonstrated to be a genuine administrative error, then the party should not be faced with sanctions under the law. I fully accept, however, the contrary argument, which is the electoral roll is the electoral roll, you are either on or you are not, and that is a question of fact, and you should stick to that. But it does lead, I think, to a perception actually of injustice, particularly knowing as I do the way in which electoral roll data is compiled and what an inexact science it is. The biggest problem is that you do not have a unique identifier. In a perfect system, you would have a national database and everyone would have a unique number and then if they moved house or moved from one constituency to another, that number would follow them. What happens at the moment is you drop off the roll in one local authority area and then you reappear somewhere else, and in that transitional period, you may appear on neither, because the administrative process has not gone through and enabled you to do it. So it is a very archaic system.
205. DAVID PRINCE: If there were the perfect national database, would your concerns drop away?
206. LORD FELDMAN: Yes, absolutely.
207. SIR CHRISTOPHER KELLY: Maybe we can learn from the Northern Ireland example.
208. LORD FELDMAN: Yes.
209. DR BRIAN WOODS-SCAWEN: As we wrestle with this whole set of conundrums, we have a three-legged stool. We have one leg around donations, which we talked about, and we had one leg around state funding that we will want to come back to, and a third leg around expenditure. It is clear that they are not independent, that any change on any of the legs has implications for the others. I would like to have a conversation around expenditure. In your evidence, you said that the general election limits had reduced significantly over the last ten years. Has that been a problem for the party?
210. LORD FELDMAN: I think it could become a problem. It is on the border of becoming a problem. I think the limits were set at a sensible level. In real terms, they have been fixed, so therefore in real terms, they are declining quite dramatically and I think it could conceivably become a problem, because for the example I gave about direct mail, the main way in which parties - certainly during a general election period - communicate is through posters or direct mail, increasingly online communication and online advertising, and the price of that is going up and has been going up pretty consistently. All of those have been going up. So with a flat limit real term decrease, I think it is on the border of becoming a problem.

211. DR BRIAN WOODS-SCAWEN: The government, in its sort of macro financial policy, is saying to public bodies that there is a need, because of the fiscal situation, for very substantial reductions in expenditure and much of that can be covered by identification and elimination of waste. Is there waste in political parties and in the Conservative Party in particular?
212. LORD FELDMAN: I would like to think there is not. I mean, I was chief executive for a couple of years, and the situation I inherited, it was a pretty well-managed organisation. I think the financial constraints following the 2005 election meant that the party had got its house in order. I think we have kept it in order, and I think that after the election we had a very difficult time, where we had a very big team to run the election and then we had to halve the number of people at central office, partly by natural wastage, people leaving and partly by redundancies, but we did it very quickly, within a couple of months, because we recognised that the income levels in the period after a general election would fall away. So I think we have a very business-like approach to running the party these days. So I would like to think there is not much wastage.
213. DR BRIAN WOODS-SCAWEN: We have had quite a lot of evidence from all sorts of different people that have been involved in fundraising, and their view is that their job is to raise the money and to kind of pass it on, but there is a sort of insatiable appetite from political leaders which is premised on, "Give us the money, and the more you give us, the more successful we will be" and as a consequence, much of that expenditure has been misplaced. The view has been expressed, for example, that billboards and printed mail, which is referred to, has very little impact on voter preferences and there are better ways of persuading people of the value of your proposition.
214. LORD FELDMAN: Let me deal with the two points there. The first point, I think that there has been a historic separation in my party and in other parties between income and expenditure. I think in the Conservative Party, the treasurer raised the money and the chairman spent it, and never the twain shall meet, and there was a constant tension. I think other political parties, I do not know in detail.
215. DR BRIAN WOODS-SCAWEN: Was there a theme in that around a message to the fundraisers, "Give us more money and we will be more successful"?
216. LORD FELDMAN: I do not think it was as strong as that, but I think that there was maybe a lack of understanding about what each of the sides of that were doing. I think that is now unified in the Conservative Party. The income and expenditure sit under the chairman's office and it is managed, as I say, like any business. You would expect that there is a correlation between the income and the expenditure. It is run with a sensible profit and loss account. I cannot speak about the other parties, but certainly that is the case, and therefore that tension has receded.

217. I think that on the question of whether what political parties do in terms of direct mail and posters is effective, I think it is a debate that has been going on for 50 years. I think if it is done properly, it can be extremely effective. If it is done badly, it is extremely ineffective. In fact, it can be counterproductive. But it is the skill or the way in which the money is spent which is the important thing. One cannot say that it is pointless. I think it can be extremely effective, if done properly.
218. DR BRIAN WOODS-SCAWEN: So if there were a further substantial reduction in expenditure limits, to what extent do you think that could be accommodated through a radical review of the nature of political communication using one technology which has lower unit cost, all of that kind of thing, in order to live within significant further reductions in expenditure without an impact on the effectiveness of political campaigning?
219. LORD FELDMAN: There is no question that modern technology does give you the opportunity to do a lower per capita method of communication. In a way, that is what we have already been doing, to offset the real term decreases in the amount of money available. I think it is a 21% real term increase in five years. In order to effect an investigation, we have already been doing that. Is there much further to go with that? I suspect it is a progressive thing. I think it is a generational thing, really. Above a certain age, people tend not to consume their political communication electronically and we will not change that, or if we do, it would be very, very gradual. So I think over a very long timespan, that might be an argument, but in the 10 to 15 years, I do not think it will.
220. DR BRIAN WOODS-SCAWEN: But if there were evidence that the major impact of billboards was either for people to ignore them or to get irritated by them and that printed material lands with a pile of other junk mail and is treated accordingly, how would you respond?
221. LORD FELDMAN: As I say, I do not think there has ever been that evidence. I think people have been suggesting that, making that argument for a long time and no one has really been able to. There is a whole industry around billboards, which is quite apart from political parties. I mean, there are tens of thousands of them in the UK, and there is a reason for that, that people think they are effective, and the same with direct mail. The junk mail that you are talking about lands on your doorstep because businesses - forget about political parties - think that they are an effective way of communicating about their products and their messages. So I doubt you would ever find that it was evidence that it was completely ineffective, because thousands of companies are doing it and paying for it.
222. DR BRIAN WOODS-SCAWEN: You say in your evidence that - and you have said again this morning - there is much closer linkage between fundraising and expenditure plans. Could you describe how, as it were, the business planning model works for the party, so that you get an integrated approach to the financial model, as you would expect in a business, where

you would not separate revenue and cost?

223. LORD FELDMAN: I think you take your income, I mean, income is not certain. We have made it more certain because we have an events programme and we have systems with donor clubs, and assuming that we continue to engage with the donor base, then it is not unreasonable to take, let us say, the previous year's income or an average of the previous five years' income as your starting point. That can change, so therefore you have to have a facility to cope with that if there is a dramatic falling off in donations. So that is the income side, so you take projects based on, say, the previous five years and you make some assumptions about retention of supporters and you model that. But the expenditure side is really based on need. You decide what it is you need to be doing in that year in terms of campaigning and fiscal communication and you draw up a model of that and then try and match them. If your estimate of your expenditure is far in excess of your likely income, you have to rethink, and it is a sort of iterative process. I do not think one is dominant over the other in the picture. It is a balancing process.
224. DR BRIAN WOODS-SCAWEN: How have you assessed the quality and professionalism of the business planning process as compared, for example, with your experience in corporate life?
225. LORD FELDMAN: There was a finance director, Ian McIsaac, who was an ex-Deloittes partner, who from 2005 onwards started to bring in real commercial discipline into the party, and so I to some extent inherited his budget process. I was a deputy treasurer in 2005, so I saw him in action and I inherited the professional processes that he introduced when I became chief executive. So I think it would compare very favourably, actually, with a sort of small to medium size business or voluntary organisation, and there are very clear and careful controls over expenditure, which perhaps there might not have been ten years ago.
226. DR BRIAN WOODS-SCAWEN: At the 2010 general election, the Conservatives spent significantly more than other parties. What is your view on the linkage between relative expenditure and electoral success?
227. LORD FELDMAN: I think what brings electoral success is; really good candidates, really good policies and really good campaigning. I think that the machinery of the party facilitates that, provides a backdrop to it.
228. DR BRIAN WOODS-SCAWEN: Is there an element also that the time is right and that, for example, in 1997, any amount of money spent by the Conservative Party would not have brought success simply because of the type of affairs --
229. LORD FELDMAN: I do not see any direct correlation at all between spending of money and fiscal success. What the spending of money can do is it can just facilitate the communication of the message. If the message is not good, is not well thought out and well received, it does not matter how many

times you saw it.

230. DR BRIAN WOODS-SCAWEN: So if everyone spent less, it would not impact on political parties?

231. LORD FELDMAN: There is a threshold. There is a minimum threshold of competently running the party machinery and the campaign and getting the politicians around the country and communicating with as much of the electorate as possible. I am not sitting here arguing for a doubling of the cap on expenditure, because I think the incremental benefit is a marginal incremental benefit over and above a certain threshold. The threshold is set at £80 million and we work within that, but it is a fairly arbitrary number.

232. DR BRIAN WOODS-SCAWEN: Would the incremental negative effect of further reductions be marginal as well?

233. LORD FELDMAN: No. I think there is a sort of fixed-cost element to the operation, which once you start biting into a fixed-cost element, it would start to undermine your ability to function.

234. DR BRIAN WOODS-SCAWEN: A final area on expenditure: it has been suggested to us that progressively, parties have been more centralist in their campaigns and in their expenditure and it would be desirable to rebalance that back towards more local activity, more local control and local fundraising. Do you have a view on that?

235. LORD FELDMAN: The figures do not really bear that out. The Conservative Party budget at the centre for this year will be about £15.5 million, £16 million. Interestingly, the associations will raise and spend about £24 million this year, so actually, the balance is more in favour of local activity. In a general election year, it is distorted slightly the other way, which is inevitable, because you are fighting a national campaign. I think the balance is probably about right.

236. DR BRIAN WOODS-SCAWEN: Thank you very much.

237. SIR CHRISTOPHER KELLY: Just two quick follow-up questions. When you did your post-mortem of the last election, did you think that the money allegedly funded by Lord Ashcroft was well spent?

238. LORD FELDMAN: I think the first thing to say about Lord Ashcroft is his major contribution to the party was his perception or his understanding as the deputy chairman of the party about target seats. It seems obvious: in every constituency-based electoral system there are seats you probably will not lose, seats you probably will not win and then there is the battleground. His main insight was to dedicate resource to the battleground. In terms of his actual financial contribution in 2009, 2010, a company associated with Lord Ashcroft - Bearwood, I think - gave in the region of £300,000 a year for each of those years, which was less than 1% of the expenditure of the party. So I think it was an intellectual contribution more than a financial contribution in the

two years before the election that I was chief executive.

239. SIR CHRISTOPHER KELLY: I guess the issue that people raise about the money is, if you like, the philosophical bit, which is there is a limit on candidate spending for historical, well-understood reasons, and yet it is possible to target not volunteer resources, but to target money on a single constituency which does not count towards that target, providing names are not mentioned. Does that not sound like avoidance behaviour to you?

240. LORD FELDMAN: Let me go back a point. There is a point of principle that in a constituency-based system, the incumbent MP, if it is from the other party, has to be defeated, has a huge structural advantage. They are the MP. They appear in local press, they do things, they have had a communications allowance up until recently. Therefore, a new candidate in that area has to start early, establish themselves, get a local reputation, campaign on issues which are important to local people, and that does require a certain amount of money, not huge sums of money, but a certain amount of money. I think it is often the case that when someone is trying to establish themselves in a new constituency, they may not have a strong association almost by definition. They may not have strong local volunteers and therefore a little bit of help for the centre to get them established, get them a campaign manager, get them some ability to do some local campaigning is probably a good thing. It is a good thing for democracy, because it sort of challenges the incumbent throughout the electoral cycle, not just in the last four weeks before the election. So I think that is a really healthy thing, actually.

241. I made a point about the Unite union in my evidence, which was that they both give donations to the Labour Party and then they set themselves up as a third party organisation, actively campaigning in target seats, not for the individual candidate, but for the Labour message, but they will concentrate their leaflets and email and phone activity in the target seats. I mean, that strikes me as being problematic, because it is having it both ways, it is both being a donor to the party and being an active campaigner. The Conservative Party, as far as I am aware, in the closed period before the election, the main thing that we did was direct mail from the centre, which was targeted in the target seats. I am not sure. I think that is probably sensible. I am not sure there is a problem with that. We did not really do anything else apart from that in the centre.

242. SIR CHRISTOPHER KELLY: So does it follow that if this Committee was to propose that the local spending limit should also include national spending targeted at a particular constituency, you would not object to that?

243. LORD FELDMAN: In what period?

244. SIR CHRISTOPHER KELLY: Over the election period.

245. LORD FELDMAN: I suppose it would depend on the level. Without knowing what the level is, I would not like to comment. I think you need to have a certain amount of activity, so if you put the limit too low, then it would

preclude it.

246. SIR CHRISTOPHER KELLY: But that would be an argument for raising the cap on candidate expenditure, not for ways around it to target expenditure on a specific constituency which is designed to help the individual candidate, but avoid the local cap simply because it does not mention his or her name.

247. LORD FELDMAN: But as I said, all we are talking about is direct mail, and it is just designed to communicate the message in the target seats. It is not designed to get round a cap. It is just what you would naturally do.

248. SIR DEREK MORRIS MA DPhil: Good morning. I have got a couple of follow-up issues on what we have covered already and then briefly one other aspect or problem. The first follow up, can I press you a little on what has been described as the three-legged stool? You said in your evidence to us that a £50,000 cap would cut your donation income by, I think you said, 37%.

249. LORD FELDMAN: No, it would not necessarily. That is the current level of donations above £50,000, but yes.

250. SIR DEREK MORRIS: You have also said that expenditure caps, though they may not have bitten in the past, were becoming a problem. Now, a number of witnesses - I think I would hazard the majority of witnesses we have heard - have said quite consistent with those two statements from you that state funding to support the role of parties in our political democracy is clearly preferable to a large donor culture. They nearly all go on to recognise this is probably not sensible or practical at the present time and I think the Committee can well understand that. You have echoed the point in your evidence to us that it is probably not feasible at the moment, but it might nonetheless be a longer-term solution. However, you do go further and you say in principle you think state funding is wrong. You refer to it changing the constitutional balance. I just want to probe that. I mean, is that right? Democracy is a huge benefit to society and political parties are very important in that. Indeed, you say it again in your evidence, that they are for the public service, so they are like a court or defence or police. Is there not clearly in principle a good case for state funding?

251. LORD FELDMAN: I think the point is that they are not like the courts or the police or the health service. You have seen in recent years new political parties have emerged because maybe an individual or a small group of individuals felt passionately about something. There was the Jury Party last year, which was actually one man feeling very strongly about something and putting his own money behind it, and I think that that is quite important that that can happen, that there is that fluidity in democracy that you do not have a narrow group of parties sort of embedded through state funding and the barrier to entry to new ideas and to new parties. I think that that is where I am coming from. That is the essential point, there is that central fluidity. Also I think that it is part of our constitutional settlement, the sort of Anglo-Saxon constitutional settlement which you get in the United States or Australia, that

you have independently funded political parties with prescribed state funding.

252. We do have state funding in this country, but it is within very prescribed rules, so the short money has to be used for conducting the parliamentary business of opposition, and I think that that Anglo-Saxon model is different to the Continental model. They have a different constitutional settlement. My point is really this: that if you just focus on one part of our constitutional settlement without looking at the whole picture, you are doing something quite fundamental, and I think we need to think through the knock-on effects, like any constitutional change, you have to look at the unintended consequences. I think that, as I say, our Anglo-Saxon model has served us fairly well. It is the path that we have chosen. It is not the only path or I would not say it is the only right path. There are other perfectly valid systems. But if you move one bit of that settlement without looking at the whole picture, there is a risk.

253. SIR DEREK MORRIS: If one had a donation cap in order to deal with the perception of a big donor culture, but it was only applied to parties above a certain size so that you would seek to address the sort of problems you have been discussing, the perceived influence of the trade unions or a perceived influence of wealthy individuals, and then you had some state funding to deal with the knock-on consequences, but there would be nothing to stop wealthy individuals supporting new parties. The reason I put that to you is that if the problem is essentially one of perception, it might well be that public concern is about the Labour Party or the Conservative Party being unduly, as it were, bought by particular sources of finance, but I doubt - correct me if you disagree - that they would worry that a few individuals wanted to develop UKIP, for example, or a similar small more single-issue party.

254. LORD FELDMAN: That is an interesting point. I suspect it would be okay at the beginning and then it would change, and the challenge would be we are talking about something so nebulous here, the public perception. But I think the challenge would be as the party became more established, if it was thought to be owned by, in a sense, one or two people, that you would just be confronted with the same problem. One of the big changes since 2005 is that the number of larger donors the Conservative Party has is ten times now what it was then. In other words, the idea that a party is owned by a few people, the only way you can really change that perception is by just having more people giving money so that the perceived influence is diluted, and one of the big narratives for the Conservative Party in the last five years is a big increase in the number of donors, but also at all levels, and that is much harder to make the argument. If you get 200 very successful people in a room, I can tell you, you have 200 very strong opinions and it just de facto dilutes the perception that any one of them is getting their way.

255. SIR DEREK MORRIS: One of the possible ironies of the present situation is that, as you will know, there is in fact quite a considerable amount of state funding at the moment, short money and policy development and so on, and also a supporting kind, free party election broadcasts and so on. Do you think there would be a case for packaging that all up simply in equivalent lump sums, just saying, "Here is the amount that is equivalent to that" and

leaving it up to the parties to decide how they would spend it, rather than having it allocated for specific purposes?

256. LORD FELDMAN: No, I think there is a good argument for having it allocated for specific purposes, actually. I think the policy development grant, in opposition, we were extremely conscientious about the application of this money. The policy development grant is for the development of policy. The short money is for conducting the parliamentary business of opposition, which is a necessary function of having a good effective opposition in the House and is a very important thing. But if that was all put together and spent on leaflets, I think the public would have a different view about that being a good or bad use of public money. I think it would change their perception. They accept that you need a strong opposition and a strong office, but they might not accept the extension of that.
257. The other thing to note obviously is that the value of the television time is a non-cash item. You are hardly going to convert a non-cash item into a cash item. It is extremely valuable. If you try to weigh up the cost of the value of the time on the TV debates, the value of the time of the party political broadcasts, it might be running into tens of millions of pounds. I think the public would go mad if you suddenly converted that into a cash item which you paid over to the parties, whereas they accept it when it is used for the specific purpose of a broadcast in an election period, where the parties are trying to get their message across.
258. SIR DEREK MORRIS: Just one last question on state funding. We have talked in previous conversations about the tax role and tax relief and so on. Is there not a problem there in terms of people who wish to support the party and do not pay tax?
259. LORD FELDMAN: It is not a problem. They can support it. It is just the party does not get their tax relief.
260. SIR DEREK MORRIS: But do you not think there would be some concern that this would mean that giving by slightly more wealthy individuals would have more impact than those on the lowest incomes? That might be seen to be --
261. LORD FELDMAN: If that was a concern, you could probably deal with the sort of tax relief by only letting it apply to the lower level, the 25% level, not at the higher-rate level. That might deal with that perception.
262. SIR DEREK MORRIS: The other follow-up point was just on third parties, and you talked about their role potentially being the role that you described in Unite in particular constituencies and so on. I will not pursue that, but is there a more general problem, do you think, that if there were a cap on donations, this might drive more funding through third parties, think tanks and others and that it would be very different in practice to regulate them?

263. LORD FELDMAN: Yes. I think the United States' experience is exactly that, that you get a large number of third-party organisations that are set up that raise money that are not sort of within the regulatory regime and then apply it in various ways in the course of the campaign. So there is that risk. I think the Electoral Commission raised that point in their evidence and I think it is worth thinking about.
264. SIR DEREK MORRIS: Do you think it is one that could be dealt with in practice through the regulatory regime?
265. LORD FELDMAN: It would need more regulation. The elegance of the existing system is it is transparent, it is a matter of public record. In fact, there is even an argument that if you make a very substantial donation and it is a matter of public record there is absolutely no possibility of influencing policy because it retains a high profile. But it is a risk, it would need further regulation; it would need further control
266. SIR DEREK MORRIS: Just finally, I have a couple of questions about the regulatory framework. Could I ask you first just generally, do you have particular concerns or matters that you would like to see this Committee recommending reform on in the general regulatory framework governing political parties?
267. LORD FELDMAN: The one that I mentioned in my original evidence was this question of companies carrying on business. It would be very helpful to have a clearer definition of that definitely. Generally the Electoral Commission is a sensible regulator in our dealings with them. They have just been given a series of very draconian powers which include the ability to search premises in an investigation, get a warrant, and also technically they can interview some people unaccompanied by their lawyer or by another person. These are not powers which we recognise even within the criminal justice system, particularly the ability to interview a person on their own. I would like to see some rules around the application of that discretion, some very clear rules around the application of that discretion because these are very significant advances on their existing powers. My instinct is that they will apply them reasonably and sensibly because that is how they have acted in the past but I think the Committee want to have a look at making sure that is the case because with a different leadership at a different time these powers are much more extensive than exist in other parts of the regulatory framework.
268. SIR DEREK MORRIS: There is an issue about who can make donations. In your evidence you say pretty straightforwardly it should be people who live, work and carry on business in the UK. You will probably have seen Lord Ashcroft's speech in which he severely attacks that position and points out a number of anomalies. If you are a native living in the UK you can, but not if you are American, Greek but not Turkish, if you are Mozambique but not Swiss and if you are UK but living abroad at the moment and planning to retire you cannot, but if you are living in the United States so far as Sinn Fein you can. All sorts of anomalies. Do you accept at all that

stance, or do you think that --

269. LORD FELDMAN: I think the basic principle is right. I think the problem arises in the definition. I think the principle that people who live and work and carry on business in the United Kingdom should be the people who can contribute. He is right; there is an Australian model which I think Lord Ashcroft refers to which is where anyone can give money as long as it is declared. Our position is not that but I suspect that some of the definitions need looking at and tidying up.
270. SIR DEREK MORRIS: Final question. In your written evidence you say "the same rules for all" principle. You support it by saying it should be removed only after very careful consideration and that sounds right but it is quite difficult to know what it means in practice, particularly as between the larger parties and the smaller parties. So, does the same rule for all literally mean that? Exactly the same rules should apply to any party no matter what scale? Or might one want to say that you get practice or fairness by, for example, as we discussed earlier having perhaps no donation cap on small parties, or perhaps much easier reporting requirements which can be quite onerous, as we heard earlier this morning, for smaller parties?
271. LORD FELDMAN: That is a difficult question because I think that in principle I would maintain the position that the same rules should apply because otherwise you end up making judgments about what is a small party, at what point does a small party become a medium-size party? That would concern me. I think a level playing field is very important in politics. I do see the point though. We have it with some of our own associations; the regulatory requirements are high and if you have volunteers operating in an association, which we have around the country; we have an association-based system. We have 600 odd active associations and you might have maybe quite elderly or quite inexperienced members who have to administer the system. I do see that that is a pressure on them and a concern when you are trying to encourage a voluntary culture. So, on the national party level I think that the national parties should all play by the same rules, but I can see an argument for the relaxation of the rules for local associations and local parties because you just may not have the professional competence at that level to deal with some of the issues. That is not exactly an answer to your question but it is something that I have noticed and it is of course a concern for us. What we are asking our volunteers now to do is ten times what they were doing 20 years ago.
272. SIR CHRISTOPHER KELLY: Not an answer to the question but a good statement of the problem. Just one very quick final question that I want to be absolutely clear about. During my questions at the beginning I asked you whether you would still be a going concern if there was a cap of £50,000 and you said yes more or less after a transitional period. Clearly there are issues of balance involved. It has been suggested that one way of making that balance might be to lower the spending cap, not because a lower figure is a better figure, but simply because that produces a set of arithmetic which makes something work which might not otherwise work. If you pursue that

argument, how far down do you think you could put the cap on spending?

273. LORD FELDMAN: Are you talking about just a cap on a general election expenditure?

274. SIR CHRISTOPHER KELLY: Just the general expenditure cap. How far down could you push that before it became a problem for you?

275. LORD FELDMAN: I come back to my point, if you want to communicate with all 40 million people on the electoral roll by one piece of direct mail it will cost you second class post £14 million.

276. SIR CHRISTOPHER KELLY: But you did not spend up to it. You said it is beginning to press down on you more because of inflation but you still did not spend up to the cap in the last election.

277. LORD FELDMAN: Yes. I would not like to speculate because it is quite hard. We just had inflation figures this morning of 5%. It is quite hard to speculate into the future about real term spending but what I would say is that the main impact of what you are describing would be not in the election period but would be in the annual running costs of the party. At the moment we have to raise £15.5 million-£16 million to run the operation of the party. If, say, 7% of those donations are above £50,000 and you impose that cap then in the very short term the basic fixed cost running costs of the central party would come under considerable strain. That would be much more of an impact than moving the cap around for the general election expenditure.

278. SIR CHRISTOPHER KELLY: Is there anything else we have not given you the opportunity to say?

279. LORD FELDMAN: No, I do not think so. We covered quite a lot of ground.

280. SIR CHRISTOPHER KELLY: Thank you very much. I am extremely grateful. There is now a short break before we resume at 11.30am with evidence from Bob Crow from RMT.

BOB CROW (RMT)

281. SIR CHRISTOPHER KELLY: Mr Crow, you are very welcome. Thank you for coming to give evidence to us this morning. We do not on the whole encourage long opening statements, but if there is anything you want to say.

282. BOB CROW (RMT): No.

283. SIR CHRISTOPHER KELLY: Thank you very much. You are of great interest to us. We have invited general secretaries of other unions to come and give evidence to us and they decided to do so --

284. BOB CROW: They are busier than me.
285. SIR CHRISTOPHER KELLY: They decided to do so through the medium of the liaison officer of the party sitting behind you. But you are of interest because you have been affiliated with the Labour Party and you are not any more.
286. BOB CROW: I was expelled.
287. SIR CHRISTOPHER KELLY: That gives you a different perspective on the party funding issue and I would be extremely interested to know your general views about the state of party funding and what is wrong or right with it.
288. BOB CROW: Well, thank you, Chair. Our view of the trade unions is that we believe in political funding. We believe they should be open, they should be transparent, there should not be a cap on them except for the overall limit of caps, for example, if you know it is £20 million that can spent in an election or £25 million or £18 million or whatever, the figure is with the increasing prices we believe there should be an overall cap but we do not believe there should be any cap on the amount that an individual organisation wants to give, or an individual, obviously up to the maximum limit.
289. It is essential for us to have political funding because we need people to articulate our views in parliament. For example, the 1974 Health and Safety at Work Act which has been crucial to working people in reducing accidents, deaths and diseases in the work place. That has all been brought about obviously through political campaigning and a whole range of issues that take place in the parliamentary field and also in the local field as well because a lot of our members rely in their industries basically on the subsidies they get, the amount of services, the direction of the services and so on. So, it is essential to us that political funding should be open and transparent but with an overall cap to stop people actually buying votes; that is what the real issue is.
290. Our members pay a small amount of money; for a part time worker they pay three pence a week and for a fulltime worker they pay six pence a week and they pay just over £3 a year into a political fund which they vote on every ten years to say whether they want a political fund or not. We certainly do not give all our money, and never have given our money, to any political party. We give money to a whole range of different issues out there in the field that affect our members' lives; from a nursery closing down the road where people can have their children - put a nursery in - to an old peoples' home, to campaigning in all kinds of fields. It is not just strictly to the core that it goes to one political party.
291. SIR CHRISTOPHER KELLY: Thank you. We will come back to that. You said something which surprised me, which is that you would not put a cap on individual donations which I suspect puts you in a minority.

292. BOB CROW: Well, obviously if the government of the day or the legislation of the day said, for example, £20 million then obviously no one would be able to give any more than that figure but what we are saying is that we do believe that openly and honestly people should be able to politically campaign. No difference to our political parties last week, we were told, where certain money comes from certain areas. We believe ourselves that it cannot be a situation where the wallet pays for legislation rather than what the moral issue should be for people in the political world.
293. SIR CHRISTOPHER KELLY: I understand that, but forgive me for pursuing this point a bit further. One of the reasons we are sitting here is because there is a public perception, or there appears to be a public perception, that the ability of some individuals, whether they be individuals working in hedge funds or individuals who are general secretaries of unions being able to give very large amounts to political parties creates a possibility of influence or position being bought.
294. BOB CROW: For example, if someone wants to give £1 million, Chairman, and you put a cap of £250,000 the person would give £250,000 and his wife would give £250,000, his two sons would give £250,000, his grandchildren, his granddaughters; they will all give money.
295. SIR CHRISTOPHER KELLY: So, in your mind it is an issue of practicality rather than a principle?
296. BOB CROW: Yes. Hard to legislate for that when your next door neighbour gives them money as well.
297. SIR CHRISTOPHER KELLY: Well, it depends how low you set the cap. You said that the RMT gives money out of the political fund for a whole range of things. Could you explain a bit about how you make decisions about how to spend that?
298. BOB CROW: Yes, what happens is we have a ballot every ten years to see if we want a political fund and that is number one. It is not about whether we want to give money to any political party so we are a bit different from other organisations where we have a political fund and we were expelled from the Labour Party so we give to a whole range of people. For example, some political parties - and I can understand the reasons why, I am not opposing it - if you give money to obviously more than one political party it does become a nonsense because they are campaigning against each other's policies then you could actually become expelled from that party and that is what happened to us. So, we were expelled and our members subsequently have since been expelled delivered a massive yes vote to keep a political fund - just under 90%. That money is paid into the general account which is three pence for part time workers and six pence for a fulltime worker goes into the political fund. That political fund then is distributed by a percentage of that fund to branches and regional councils. The branches then can only spend that money if it is subsequently agreed by the executive committee in their branch area or in the regional area and our executive committee who are in control of

the union for 51 weeks a year out of 52, apart from the annual general meeting when the annual general meeting lays policy down, they then through debate, resolutions, discussion, decide how best they use that money for our members' interests in the wide political field.

299. I do not know whether you have seen our accounts but our accounts are quite clearly spelt out. I will just give you an example. This is April 2005. This is one of our national magazines. This was a campaign we were having against privatisation of the railways where we spent a large chunk of our money. We had disagreements with the Labour Party because we believed they were keeping privatisation and we had disagreements with the Conservative Party who wanted privatisation and we could not find any party out there to be fair that wanted to nationalise it but we found loads and loads of people who wanted it. So, it was a bit of a different point of view and we had a march from Glasgow going all the way around Britain, culminating in London and that is what we spent a big chunk on in 2005. In our accounts you will see that we have a whole range of issues that we spend our money on.
300. SIR CHRISTOPHER KELLY: We have a copy of the accounts with us. Thank you. When you were affiliated to the Labour Party the union made substantial amounts over to the Labour Party, what was the union expecting to get as a result of that?
301. BOB CROW: Well, number one, historically we formed the Labour Party over 100 years ago. It was a resolution from two of our members, Steel and Thomas, in the Farringdon Hall just down in London 103 years ago that moved the resolution to set the Labour Party up and we believed that we wanted a party of labour that was going to --
302. SIR CHRISTOPHER KELLY: Yes, I am aware of the history. What I was interested in is in the recent period before you were disaffiliated, what did you expect to achieve in return for your donations
303. BOB CROW: Well, we have never given money direct to MPs ourselves. We have only given money to their constituencies and we have given money to the national fund. What we were basically asking them to achieve was fairness at the workplace for workers.
304. SIR CHRISTOPHER KELLY: So, you target that with individual MPs?
305. BOB CROW: Well, when we say "fairness at the workplace" everything encompasses that. We believe that the Health and Safety at Work Act, for example, was brought in by a previous Labour Government which stood the test of time and has saved, in our opinion, loads and loads of our members' lives, prevented major accidents, not all accidents but certainly that Labour legislation certainly reduced accidents. It reduced diseases and brought to light asbestosis, mesothelioma and a whole range of other issues that affect our members in the industry and we believe that we needed a voice in the workplace just like big business had a voice in the workplace that was arguing

the aims for the employers.

306. SIR CHRISTOPHER KELLY: The other unions which are still affiliated to the Labour Party continue to donate large amounts to the Labour Party, is it your judgment that in doing so they are serving the interests of their members?

307. BOB CROW: Yes. It is their democratic decision and I am not here to criticise another organisation and what it democratically decides to do with its money. That is their democratic decision. What it wants to do. I would point out that out of the amount of trade unions that are affiliated to the TUC, and I accept that not all unions are affiliated to the TUC but the vast majority of the largest unions in Britain, if not 90% of trade unions that are affiliated to the TUC the majority of them are not affiliated to the Labour Party, but they still have political funds, for example, even though they are not affiliated.

308. SIR CHRISTOPHER KELLY: Thank you. Lloyd.

309. LLOYD CLARKE: Thank you very much. Good morning. If I can follow straight on from the terms of your political fund. You have answered a couple of questions that I might have asked which were, why was the increase of that spending in the period between 2003 and 2009, and I am presuming that the large increase is that which you signified earlier in respect of the march, that was a major, as it were, use of your resources at that time. Am I right in that?

310. BOB CROW: We used a big amount for the march but we have also used it for other things. For example, we have a clear policy on the campaign against nuclear disarmament. We believe that the money that is spent on nuclear weapons is wrong. It is morally wrong. It does not stop wars and we believe the money should be spent on other things and we do not want to live in a world of fear, so we are affiliated to the campaign for nuclear disarmament. That is a policy agreed by our annual general meeting.

311. LLOYD CLARKE: I was going to say, how do you get to that particular position? How do you gather that information from the people who donate to you, or who pay the fees? How do you garner together those feelings, that information, and then presumably agree it at a resolution at some particular time?

312. BOB CROW: That is a good point. Our annual general meeting meets every year. It is the supreme governing body of our union. Every decision that is made there is absolute and it has to be carried out by every single member of the union. Resolutions come to our annual general meeting and we decide policy. If something crops up in between, for example, there may be a debate in our executive next week about supporting Egyptian workers which would happen between annual general meetings and our council of executives would then deal with that issue. If the members do not like that decision that they make then they have the opportunity to appeal to the annual general meeting to reverse it. So, it is the annual general meeting, which is a body made up of not officials, it is rank and file members. They are the only

people who get a vote at a supreme parliament of our union and in between then our executive committee that once again is made up of rank and file - the officials do not get a vote - who decide how that money should be allocated.

313. LLOYD CLARKE: So, just for absolute clarity, it seems to me that you cannot make a decision during the year between that opportunity but clearly you want to spend during the year. How do you approve that?
314. BOB CROW: You can. The executive committee in between the AGM can make those decisions but can only make a decision based on either AGM policy or where policy is silent.
315. LLOYD CLARKE: Clearly this is a two-way conversation in terms of wanting to gather together the views of your people. How do you keep them informed about what is happening and about how you are actually spending the political fund?
316. BOB CROW: Every decision of our executive goes into the minutes and the minutes are distributed to the branches every week, so every single decision, and every single decision that we make is appealable by the members of the annual general meeting.
317. LLOYD CLARKE: How do you monitor the effectiveness of how you are spending the money? What is your process for that?
318. BOB CROW: Well, if it is money in the sense of what you are paying out and what you are getting back, that is one monitoring, but what we are trying to do basically is influence those people that make decisions. We do not want our members/working people forgotten about when they make legislation. It was only through a number of years of campaigning that we got the 1974 Health and Safety Act and I have to say that stood the test of time by about four or five different governments now.
319. LLOYD CLARKE: You are very open and you are very frank about the fact that the reason why you want to spend this money is because you want to influence people. I think you actually said in your opening, you need people to articulate your views in parliament. That is very open. Arguably it could be seen as very refreshing in terms of what you want to do. Do you think that the fact that you do not currently fund any political party, do you think that reduces your political effectiveness in what you are actually wanting to achieve i.e. someone to speak on your behalf in parliament?
320. BOB CROW: No, I think it is the opposite actually. I think that our own particular union took a stance that we are only going to give money to an individual political party if we believe that the individual political party serves the aims and aspirations of our members. Why would you want to give money to a mugger who is going to mug you down the street? We want to give money to our friends to protect us from being mugged.

321. LLOYD CLARKE: The discussion and the argument around at the moment of course is that large donations have an undue influence on political parties. Would you actually share that view? I am talking now about large donations. One could immediately jump, and I am not necessarily just sticking there, with the Ascrofts, with the Sainsburys, those levels of donations. What is the difference between those kind of donations and that which we might see from a political fund such as your own?
322. BOB CROW: Well, the difference is is we do ours open and above board. We ask your members each ten years, and that is not us saying it, we are quite happy to do it every five years if need be. Our ballots have got bigger and bigger since we have been holding them. We believe that we should ask people. The difference between a trade union is that when individual organisations like in hedge funds, do they ask the people involved in the hedge fund whether they should donate money to that particular political party or not? Or should they redistribute it as shares, or interest to the people who actually paid the money in?
323. Secondly, at the end of the day we are not trying to influence people purely on the basis that when an individual person who comes along just puts money in to an individual party. That is up to them. We believe in openness, and whether people are in the Conservative Party, Liberal Party, whatever party they are, they should be able to collect money, they should be able to be part of a party, they should be allowed to donate but it needs to be open and transparent and we are quite happy with our transparency; we show every piece of political spending that we do and we can give a reason why we have given money from CND to stop the lollypop lady disappearing in Stanford, near Peterborough, anything that takes place out there in political life, we can demonstrate that what we spent our money on is for the aims and aspirations and advancement of working people.
324. LLOYD CLARKE: By inference the suggestion is that some of these individual larger donors are not as open and transparent as yourself. What you said to start with, it could be misconstrued in that kind of way; do I have that right, or not?
325. BOB CROW: Well, certainly. We do not put our money into Cayman Islands and we certainly do not put our money offshore. Our money is in the Unity Trust Bank or the Co-op Bank and it is open for scrutiny and our political fund goes in front of our annual general meeting each year where our annual general meeting delegates vote on whether they want to accept the accounts or not and all of the funding there, one line, you can go to the certification officer's website and all of the funding that we have either given or we have received is in the public domain on the certification officer's website.
326. LLOYD CLARKE: So, it is not just about openness about the individual donation, it is an openness about where that money might have come from, its origins etc.

327. BOB CROW: Yes.
328. LLOYD CLARKE: It is something different that you are talking about.
329. BOB CROW: Yes, we often get opportunities where people pass away and they leave money in a will and we are not allowed to accept that money for obvious reasons, only our orphan fund which is another set of accounts in there. Any donations that we receive we have to - quite rightly so by the way - register where the money is coming from.
330. LLOYD CLARKE: It seems to me that they are talking about regulation, but what mechanism do you see needs to be put in place to enforce that openness? Again, not just of the fact of the donation but in terms of how that money has been created if you like in the first instance?
331. BOB CROW: Well, if someone wins the lottery, for example, and gets £5 million and they want to give £250,000 to a political party, why should they not? That is my view. That is being open. I do not think there is anything wrong in that. If someone wants to give money to them rather than the PDSA or for whatever reason they want to give it that is their right. Now, obviously if they give it to a political party which is not my choice that is a matter for them. I am not donating the money so I cannot see anything wrong with that whatsoever. What I do not like is the secrecy of certain companies that have given money and where is the openness of them? Have they asked every shareholder, for example, should we give money to a political party? Just like we ask every single one of our members, do you want a political fund or not?
332. LLOYD CLARKE: Can I now turn specifically to your membership. You have said that you ask your members at the moment, because it is a requirement, only every ten years. Do you feel that is appropriate in a fast-changing world in terms of politics changing quickly? Should that change? Should that be reviewed? Should you be asking them every two years? Every four years? Every five years?
333. BOB CROW: Well, the only reason I would say is it is a big cost to the trade union. We have to pay for it and we have to pay for a first class stamp going out and a first class stamp going back. We have to pay for an independent scrutineer. We do not do our own scrutineering; it is done by a registered scrutineer by the government, normally the Electoral Reform Balloting Services do it and it is a big cost. Once again, that cost is money that should be spent, however, I do not have a problem if you want to reduce the ten years down to five years but we like to say is the big business out there as well adopting the same thing and asking their shareholders whether they should be giving money to a political party or not.
334. LLOYD CLARKE: Thanks for that. You have about 80,000 members. I think that is the current number, or was in 2010, of which only about 350 had opted out of paying into the political fund. I am referring to the question of opting in/opting out, however you want to dress that up, whatever you want to call it, and criticism has been levelled that in actual fact what this should be is

an opt in and not an opt out. Do you have a view on that?

335. BOB CROW: I think it demonstrates the fact that if there is such an overwhelming mood not to pay a political fund then why would there not be thousands upon thousands of people wishing to drop out? It is quite clear that 300 people dropped out and that figure has probably been consistent for the last couple of years, around about 350 or 380 which is a very, very small proportion and do not forget the members are aware because they have all been given a ballot paper which quite clearly says, "Do you want a political levy or not?" I think it is like anything else. I mean, you join the organisation and that organisation's rules are quite clear, that we have a political fund. We do not question people. I do not know who drops out. If someone wants to drop out of the political fund they do not come to me, the administration of the union, and say "Fred Smith or Elaine Smith down the road wishes to drop out". It is done automatically.
336. LLOYD CLARKE: How easy, or how hard, is it for someone to opt out?
337. BOB CROW: Easy. The rules are on the website for everyone to see. Our rules are for anyone who wants to take a hard copy. They purely ask for a form.
338. LLOYD CLARKE: I have not looked at it myself; is it buried in the background papers at the back, or is it pretty up front for members to see?
339. BOB CROW: It is in the rules where it is established. I think it is rule 13 or rule 14. It starts off obviously conditions of membership, annual general meeting, council executive, and then it goes through in stages of where we are and peers and the hierarchy of the union and then it goes through general funds, political funds and so on. It is there for people to drop out.
340. LLOYD CLARKE: Presumably it is as easy as cancelling a direct debit.
341. BOB CROW: Easy as cancelling a direct debit and you are talking about £3 a year and £1.50 a year for a part timer; those are the figures we are talking about. We are not talking about vast sums of money, however it is their money. The majority of the people who opt out donate it to the orphan fund.
342. LLOYD CLARKE: Again, just out of interest, and I know the figures are not very large here and we are only talking about 350 members, but when you became disassociated from the Labour Party, did that figure go up, go down, what was the general mood in terms of giving to the political fund?
343. BOB CROW: Well, it has remained consistent actually. The only thing that did change is that we got more Labour MPs become part of our group. So, we must have done something right. So, I tell these other general secretaries, best thing to do is drop out of the Labour Party and their influence in the Labour Party gets bigger. We talk to all MPs. We have a group, for example, in Scotland which is SNP, Conservative MPs come to it, and we

have meetings from time to time to, for example, talk about the ferry industry in Scotland which affects all single political parties up there. When we have set up groups of MPs we have never written to just one particular group, we have always said that we wanted it to be a group that takes our interests in parliament. We could not care less, to be honest with you, if it is a Conservative MP, a Liberal, an SNP, if they are going to argue our case in parliament then as far as we are concerned they are the people who are taking our members' views forward.

344. LLOYD CLARKE: I think I know the answer that you are going to give to this question, but I am going to pose it anyway. If we did reverse the opt in/opt out and your members had to opt in to the political fund, what impact do you honestly think that would have on your fund?
345. BOB CROW: Well, what would happen is you would get people spending their time at the workplace going around asking people to opt in and they would be ticking boxes all day saying we wanted the forms in when we really should be getting on with the real business which is making the workplace safer and discussing problems with the workers. I do not think there is an overwhelming mood at all to pull out of the political fund because people understand us; that our union is not affiliated to any political party and we purely have a fund that is there to advance workers' interests.
346. LLOYD CLARKE: I think I am right in saying that in respect of donations you said that you do not see the need for a cap on donations to political parties. Am I correct in that?
347. BOB CROW: Well, how you legislate for it, I do not know. What I am saying is that there should be an overall limit of spending, just like a local election, for example, when you cannot spend more than £300 or £400 or whatever the figures is, and you have to allocate what you spend on publicity. I think that should be there, and that is right, because what you will get is someone, for example, going to a local council election who has, to use the sector's word, a sugar daddy, who is going to pay for that person basically to have the best possible propaganda, to have fulltime people working for them, so there has to be a limit both at the local council level and there has to be a limit at the general election level. Whether it is £20 million or £25 million is a matter for debate. What we are saying is that I do not see how you can legislate. If someone is only allowed to give £100,000, then what is stopping him giving £100,000 to his son and then he donates £100,000?
348. LLOYD CLARKE: Recognising that you are not affiliated to a union, but I would be interested in your view in any event --
349. BOB CROW: To a political party.
350. LLOYD CLARKE: Sorry, yes, forgive me. To a political party. How should affiliation fees be treated for the purposes of the cap, if there were a cap? Do you have a view on that?

351. BOB CROW: Well, I think at the end of the day if legislation is going to come in to put a limit on how much money can be spent then obviously there has to be a limit to us as well because we could change the amount of money we received from six pence up to, for example, 60 pence and quadruple the amount of money in the political fund. So, I do not think we should be treated any differently to anyone else out there.
352. LLOYD CLARKE: An argument has been that in effect all you are being is a collecting agency on behalf of the members; that the affiliation fee is in effect just an individual amount of money and you are just collecting that and passing that onto the Labour Party.
353. BOB CROW: Well, we are not, no. If you look at our accounts there you will see a whole range of issues there that we are affiliated to. There is money being given to the Labour Party. You will see there is money being given to a German campaigning group who campaigns for railways in Europe not to be privatised. So, a whole range of issues there. You can see from our accounts there we give money to the Cuban solidarity campaign because we have an affinity with the Cuban people who have been treated badly by the illegal blockade that has been passed by the American Government.
354. LLOYD CLARKE: What are your views on state funding of political parties?
355. BOB CROW: Totally opposed to it.
356. LLOYD CLARKE: Why? Would you like to expand on that a little bit?
357. BOB CROW: We think it is totally unfair and what will happen is it will move political parties away from the people they are supposed to represent, classes of people. We believe that political parties represent classes of people. Simple as that. If you give state funding it will mean then that the reliance on that political party will diminish from serving the interests of either working people, business people, liberals, or whoever you want to talk about and it removes it so that you get the money automatically which we think is wrong. We believe that in open society we should be able to collect money, we should be able to form political parties, and we should argue the entire views for those people in parliament itself.
358. LLOYD CLARKE: So, let us just pause there. Let us recognise to start with that there is some state funding there already in respect of Cranborne Money, in respect of free television time, in respect of the political party interviews --
359. BOB CROW: European elections.
360. LLOYD CLARKE: Yes, so should that stop? Is that acceptable?
361. BOB CROW: Well, it is completely unfair to small parties, for example, free time TV. You have this nonsense where you have to stand in a certain

amount of regions. I think in the British Parliament you have to stand in 100 seats if you want to have an interview.

362. LLOYD CLARKE: So, how do you address the issue for small parties?

363. BOB CROW: Well, they should be having the same opportunity as everyone else. I accept that if one person stands in just one seat and does not stand in the other 600 then obviously they cannot get the same kind of air time against those people that register but it is unfair against smaller parties and if you bring a cap in, for example, of saying that you need to get 6% or 7% of the vote for people to get political funding, again it is unfair against the smaller parties or those campaigns that want to highlight a certain problem in their area. So, there needs to be fairness on that. Things are different to what they were some 25 or 30 years ago, where before you would come home and there was BBC1, ITV, BBC2 and Channel 4, you now go on and there are 500 channels, there is a press channel now, there is the internet, there are all kinds of ways of reaching out to people. Years ago you would get a parliamentary broadcast once a day at 9.50pm and the family would cuddle around the TV to listen to Harold Wilson or Ted Heath speaking. Now it is the last thing that people do when they get up at night is to listen to the Prime Minister when they give a parliamentary broadcast because they are getting it 24 hours a day through television channels anyway.

364. LLOYD CLARKE: Thank you very much. At the risk of being provocative in terms of --

365. BOB CROW: Well, that is the only reason I came here!

366. LLOYD CLARKE: No, I am going to get provocative, not you. At the risk of being provocative, you would be surprised how near to Lord Ashcroft's view you are in terms of no state funding, no cap on donations, openness and transparency. You are pretty close together.

367. BOB CROW: The only difference is our money is at the Broad Street Bank in Birmingham with Unity Trust Bank and it is not in the Cayman Islands.

368. LLOYD CLARKE: Thank you very much.

369. DR BRIAN WOODS-SCAWEN: There are quite a lot of third parties who are not registered political parties who engage in political activity and it is argued that the more restrictions you have on funding of political parties the more the money gets squeezed out of the formal political process into these other groups and there is quite a lot of evidence from the United States where there were restrictions on political parties' income and expenditure and there is a whole range of friends of outside who are not regulated. Do you have a concern that money will get spread around into unregulated space if political parties are further restricted?

370. BOB CROW: Well, it is now really, is it not? Because the newspapers are not covered by the Act. The newspapers can campaign in every single

one of their broadsheets and tabloids, every single page supporting a political party, and that goes out to millions of people's homes, it goes out to millions of people's domains online and it is not capped. So, I think that when people talk about third party campaigning if you are going to be fair about it, why are the newspapers outside of the Act?

371. DR BRIAN WOODS-SCAWEN: What would you do about it?

372. BOB CROW: Well, I think if someone has a newspaper they are entitled to campaign for the party they want. I do not see how you can stop that and the only people who get annoyed about that are those people who do not have the ability to have a newspaper that size to campaign for them because none of these political parties seem to mind when the newspaper backs them; it is only when it backs other candidates against the people they do not like it.

373. DR BRIAN WOODS-SCAWEN: There are some organisations that try and do a bit of both, who are affiliated to a political party and fund a party in that way and also engage in political processes outside of the party. For example, there are trade unions that actively campaign at election time out of their own funds as well as funding political parties. Is that level counting?

374. BOB CROW: Well, out of their own funds, I do not know. I cannot talk about other unions and what they do. For example, we have a political officer and we have other members of staff who work on political work. In my rule book it is open and transparent, it moves 10% of my time and my senior assistant from the political fund because it is equated that we do about 10% monthly of work that is political, but as lobbyist groups, how do you stop a lobbyist group who is lobbying out there? The same reason, what are lobbyist groups there for? It is to win over the point of view for the people who pay that lobbyist group. If they want a new road built from A to B, or they want a road shut from C to D, they pay that lobbyist group to try and lobby and persuade those people from it coming in.

375. DR BRIAN WOODS-SCAWEN: So, is your view the same as you expressed earlier that all of this gets too difficult, you get reverse consequences, you have to allow the market to --

376. BOB CROW: We have to legislate for it. I cannot talk about what other unions do but if you have a fulltime official that goes and campaigns for an MP a week before the election you could say that is third party campaigning. What happens if the individual takes a week's leave? How do you stop it? Do you go around with a spy camera and say, "This one has been doing this and this one is doing that". He was not really doing it; he was just making sandwiches and tea for when people come back from a hard day's slog on the knocker.

377. DR BRIAN WOODS-SCAWEN: Just to go back to the donations point which is kind of related. You have argued that there should not be restrictions, first of all because people have the freedom to use their money in any way

and secondly it is not practical, you had twin arguments. We have had a consistent stream of evidence that all of this is a problem. It is a problem because some people are buying political influence, both individuals, companies and collectively. The Warwick agreement, for example, is prayed in evidence of the fact that the trade unions collectively have bought influence over politics. It is argued that this is a kind of way into the House of Lords or other honours, if that is what excites you, and it is argued that even if those are not true there is a perception that all of that is true. Taken together, that means that public confidence in the integrity of political life gets massively undermined and, therefore, restrictions on donations ought to apply in order to help restore public confidence.

378. BOB CROW: Well, that is the House of Lords - and no disrespect to the Lords that are sitting at the table here today, Chair - that is a big thing to get into, but certainly I cannot remember anyone in our union getting a position in the House of Lords for the last 40-odd years. So, perhaps if they take a leaf out of our book then they will not be going to the House of Lords.
379. DR BRIAN WOODS-SCAWEN: But do you have a worry that public confidence more generally is being challenged by the current arrangements?
380. BOB CROW: Well, I think it is a debateable issue. There is certainly a part of public opinion where I believe they have lost all credibility in politics altogether. The people that you come across in all walks of life, everyone is all the same. There is that issue. Then there are other people that are confronted, for example, with their housing stock being sold off or their old people's home closing down, and the first thing they say is, "Oh, can the trade union do something about it?" Then you have to explain to them about, "Well, no, we are a trade union that represents workers and we have a political fund". "Well, can we not see the MPs? Can we not do this? Can we not do some campaigning?" Then they understand the necessity of the political process.
381. None of us want a history lesson here, but some 150-odd years ago the only way you could get into parliament was the size of your wallet. The wallet has gone now and the wallet has been transferred to the ballot box. Hence the reason why it is that vote at the end of the day and that ballot paper that is the most influential thing and gets to count who can form that government. I think myself, at the end of the day, so long as people are open, upfront and transparent, they should have the right to campaign and they should have the right to select the candidates they believe best serve the interests of those people.
382. DR BRIAN WOODS-SCAWEN: So, if at some stage in the future we see you in the House of Lords you will be able to say very proudly you are the first leader of the union to achieve that, will you not?
383. BOB CROW: I will not be going to the House of Lords. I can assure you of that.

384. DR BRIAN WOODS-SCAWEN: Okay. Thank you very much indeed.
385. BOB CROW: Thank you.
386. SIR CHRISTOPHER KELLY: Anybody else?
387. OLIVER HEALD MP: Could I just ask one question about the Warwick agreement. In July 2004, Warwick University, Labour's National Policy Forum, a whole series of commitments were made and agreed to, a lot of them to do with issues that you have mentioned like reform of the law of health and safety, and so on. That year the trade unions paid early, is the note we have got. Do you accept that there was a link between the trade unions giving money to the Labour Party, and that policy forum?
388. BOB CROW: Number one, just stating for our own particular union, we were not at Warwick. We are not part of the Warwick agreement. Not being sarcastic, but the Warwick agreement could not have been very good because Labour never carried out its pledges to do with the Warwick agreement. So it was not very strong anyway. But certainly what there was was a contract in the sense of the word. It was not a binding contract that, for example, "We pay you money and we will carry out those policies on behalf of the trade union". My view of it was that the Labour Party were saying these are things that could be considered in its manifesto and they could be considered to be applied by the government. So it was not a contract in the sense of the word where we could go to the Trade Description Act and say that you failed to carry out what we wanted; it was a broad range of issues of what the Labour Party has already stood for: decent housing, trade union laws, health and safety, peace and harmony and things like that. That is the difference. I cannot see any difference between that and what, for example, the city people were being given by other political parties. You cannot tell me that some of these people just give £250,000 because they are fed up with having so much money in the bank.
389. OLIVER HEALD: The agreement was criticised by a number of trade unionists after the event, on the basis that the commitments were not met. Do you agree that there was controversy after the general election?
390. BOB CROW: There were certainly people who were saying that the issues were not met. I was not there and we are not party to it, so we are not part of that. However, there were discussions like that but no more different I know than any other political party that changes its mind after it gets elected. It would not be the first time that a political party did not carry out what it said it was going to do.
391. OLIVER HEALD: So in the agreement the UK Government was to support the EU Agency Workers Directive, and after the event there was considerable concern when the government was not prepared to support the two Bills that were brought forward to effect that.

392. BOB CROW: It demonstrates one thing, does it not, that if money is given to a political party it does not demonstrate that you actually get what you ask for.
393. OLIVER HEALD: But it shows that the people who had given the money felt that they should have had their payback.
394. BOB CROW: I do not think it is about payback at all. I think what it boils down to at the end of the day is that trade unions want to see - as I have tried to stress a number of times - more fairness in the workplace, a bigger distribution of wealth. They believe that that bigger distribution of wealth to a majority of people in this country, and fairness, would come from that political party. However, as I said before, there are some unions that have got a political fund but do not necessarily give it to the Labour Party, ourselves included.
395. OLIVER HEALD: Of course you are prepared to - as you have told us - talk to all MPs of all parties. They can come to your group, hear your views and if they support you that is good.
396. BOB CROW: Except for those parties that have views of racism and fascism, yes.
397. SIR CHRISTOPHER KELLY: Mr Crow, is there anything we should have asked you that we have not asked you?
398. BOB CROW: Well, there are loads of things I would have loved you to have asked but I am not going to spend all day taking your good valuable time away from you.
399. SIR CHRISTOPHER KELLY: Thank you very much for your attendance here.
400. BOB CROW: Thanks for the opportunity to come down. Thank you.
401. SIR CHRISTOPHER KELLY: Thank you. We now take a break until 1.00pm.

GRAHAM ALLEN MP

402. SIR CHRISTOPHER KELLY: Thank you very much for coming and thank you for your written evidence which was very helpful. Did you want to say anything by way of introduction or shall we go straight into questions?
403. GRAHAM ALLEN MP: Just very briefly, in the week when we are proclaiming the big society and politicians seem to be rediscovering society rather than government, it might be timely just to say - what I said in my evidence essentially - about this being a civil society issue, as much as it is a political issue. So it is not just about whether politics at the national level is in rude health, but actually much more about whether political parties can be

seen as a really valuable part of our civic society for the role that they perform, particularly at a local level; particularly as agents for local activity; as a route into politics, of course, for many people.

404. So I would really like to emphasise that briefly in my opening remarks, just to say, yes, we do need to do something about this as a national issue and about the rude health of political parties. But for me it is just as important that we have thriving, healthy, combative and active political parties of all political descriptions, and the funding of that is just important to me as the national stuff.

405. SIR CHRISTOPHER KELLY: I understand that point exactly. Is it the role of a funding system to address things that might be happening in terms of hollowing out parties for other reasons?

406. GRAHAM ALLEN: Yes, I think it is, and I would encourage you to go as wide as you possibly can and not just answer the narrow questions, because undoubtedly inquiries such as this take place in the current political system. It is a unitary system; it is a very great concentration of power in our current political system. I would encourage you to look at your remit, maybe in a more plural way, in developing other sources of power, influence and communication, rather than just in a sense as a prop to a system which is no longer delivering adequate finance to this - in a sense - monopoly politics that we have now; this tendency to squeeze out competing and countervailing pressures wherever they are because everything has to be decided at the centre and at the top. I think there is a different view, there is a different approach. Perhaps it is an old fashioned one, but I think it is a democratic one which is that it is actually very, very beneficial to produce capability throughout the political system and in lots of different areas, even where that will lead to a tendency to have different views. I actually think that is healthier than merely supporting the existing structure that we have at the moment.

407. SIR CHRISTOPHER KELLY: So this is both about the structure of existing parties and the plurality of different groupings at local level?

408. GRAHAM ALLEN: I think so. Yes, I think it should be. I think there is an opportunity here to make some of those points and if all we do is keep the existing structure of - certainly in England - Conservative, Labour and Liberal parties intact and give them a little bit of a kiss of life to keep them going, then I think we will miss a tremendous opportunity to revitalise, not just our politics but our civic society locally.

409. SIR CHRISTOPHER KELLY: For that part of it, which is about existing parties rather than about new parties or smaller parties, is the hollowing out of the national parties a lost cause or is there a reason for hoping we could rebuild more of the local structure?

410. GRAHAM ALLEN: I think in politics we tend to focus on government and we do not focus on society. This is not something I have discovered this week. It is something that I think has got a great set of history behind it.

Thomas Paine once said government in all its forms is an abomination but society in every form is good. I probably would not go that far, but I think there are traditions in all the political parties where you can quote some of their thinkers and their philosophers, that actually does not lead you to have this very, very strong over-centralised unitary system of “winner take all”. Maybe that is something that coalition politics is re-teaching to some of us, that there is a different way to run a political system and that it is actually perfectly commendable to feel that you want to be a local councillor, and that is the summit of your ambition. I think that is an incredibly valuable thing to do.

411. But the hollowing out that we have seen within political parties is very destructive of that. If I may I will quote in my own area. My seat is very, very poor, one of the most deprived constituencies in the UK. If you are selected as a Labour candidate you should have a pretty good chance of winning. Certainly, 17 out of 18 of my councillors currently are Labour. We sometimes struggle to get a person to put their name forward, let alone have a sensible competition so the best candidate can emerge. It is no discredit to my party or the people that are still working there, but it is systematic I would suspect of what is happening to British politics. That has got to be deeply unhealthy because if you then do want to push power down, if you do want to devolve, if you do believe in localism you have often atrophied the very base that can make those excellent concepts work.

412. SIR CHRISTOPHER KELLY: Where does that lead you, in terms of funding the system?

413. GRAHAM ALLEN: I guess it leads me to say, not only must we have a look at ensuring that national level politics is adequately funded but also that we must bring in some sort of device to ensure that if more money comes into politics that some of it is retained at local level or that we perhaps even weight it to go into local level. That is very easy to say; very difficult to achieve as I am sure you are finding. But if we can support the localities I think you will find that you will then get a virtuous circle, whereas at the moment people say, “We do not trust the localities. We do not trust local councils. They are not of the quality. They are not producing the right level of people”. That in itself frankly is debateable but it is a commonly held view. I think you can completely do away with that view if you do start to get people back interested; if you do start to have not only more powers in the localities but more people, more activism, more ability to influence events, and I think finance is probably one of the important part of this.

414. SIR CHRISTOPHER KELLY: I think I might be tempted to think that if you really want to address that problem it would get you into all sorts of issues about voting systems and numbers of councillors and structure of authorities, and so on, of which finance might be an important component, as you have said. But I am not sure that I would start with the funding.

415. GRAHAM ALLEN: No, I do not think that is necessarily true. I think we have played around with our political systems at local level in order to try and find a short cut for the problems that we have created, and I do not think it

works, whether you want to produce a mayoralty or whether you want to have a council leader or rule by committee. I think there is not a structural way around this. I think there are obviously good structures and bad structures, but I do think that strengthening the localities and strengthening the political parties locally is very important. Very often a local political party may well send virtually all its money to the regional or national level; finds it very difficult to retain some of that money. Is there a way in which, if people commit to expenditure or tick a box on a tax form, that money can actually be retained locally rather than being sucked into the centre for a decision to be made on your behalf? Again, that is producing a dependency culture within the political parties which is getting ever stronger and I think is unhealthy.

416. SIR CHRISTOPHER KELLY: Thank you.

417. DAME DENISE PLATT: You have touched on the series of questions that I want to ask you. You are a supporter of state funding.

418. GRAHAM ALLEN: Yes.

419. DAME DENISE PLATT: Your evidence makes that clear. What proportion do you think state funding should form in a party's funding?

420. GRAHAM ALLEN: I have been a proponent of state funding, often looking at it purely in the early years as a national level thing for probably three decades, but I think my position has moved from purely central funding to regional and local funding and how that might be achieved. I have got no magic answer for that but I think the arguments that have been used against my position - the most telling one - is that you get into a new dependency because the government then is the paymaster. So I guess I would speculate that I think you should never be more than in that sort of 50/50 position, but where you can get, for example, matched funding if a local constituency party or a constituency association could raise a certain amount of money then within a reasonable ceiling, and with all the checks and propriety that is necessary, it should be able to retain some equality. A similar amount of matched funding would be a rough and ready rule for someone who has obviously not studied this matter as deeply as yourselves.

421. DAME DENISE PLATT: Quite a number of witnesses have mentioned state funding as one of the ways in which if you have a donation cap and an expenditure cap. There will still be a gap, and quite a number of people have mentioned state funding as a way of filling that gap. You are mentioning it more as an issue of principle, but others have seen it in that light.

422. GRAHAM ALLEN: Yes.

423. DAME DENISE PLATT: That is an incredibly difficult argument to make at the moment when people are seeing local services being atrophied. How would you make the case in the current climate?

424. GRAHAM ALLEN: I do not think there is ever a good time. Not wishing to hark back to Sir Christopher's reports at all, there is never a good time for anyone to have an additional amount of money or to be seen to be profligate in any shape or form. Obviously I would hold to the view that our democracy is so precious that it should be properly funded. I would also argue, without being partisan about this, one of the criticisms being levelled at the current government is that just imposing block reductions is deeply insensitive, and the more that we can allow people to make their own decisions locally, if they have to reduce expenditure, which is apparently the position we are in at the moment, they are the best placed to do that. So I think that argument applies equally on funding matters at all levels. I think that is quite a strong argument for strengthening the locality rather than weakening it.
425. DAME DENISE PLATT: How would that work in state funding?
426. GRAHAM ALLEN: I was trying to answer your question about how the public would perceive this.
427. DAME DENISE PLATT: No, I understand. Yes.
428. GRAHAM ALLEN: I think the public would perceive it that this absolutely has to be open and above board and totally transparent, otherwise the public, quite rightly, will not buy this. I think if it is out there. If it is very clear how much money came in from fund raising and how much was matched by state funding, I think people would understand that. But we all have a job to do - particularly on my side of the table, if I may say so, Mrs Beckett and Mr Heald also - we cannot just let these arguments lie and say we have to respond to that as it is. We have to go out and make a case. I think we are actually in quite grave danger of our politics being merely that which is conducted between the incumbents, their spin doctors at Number 10 and the media. I do not think that gives very good value for people, certainly in my constituency.
429. Again, I suppose I should throw in, the poorer the constituency the more vital it is to have effective representation locally and to have effective political parties. I think it is a little easier - I do not want to oversimplify - if you are in a leafy suburb and you are computer literate and you can write a letter to your Member of Parliament about saving the whale or keeping our forests, or whatever it may be. That is not the case in my constituency, and I suspect Mrs Beckett might share at least some of the characteristics of my constituency, where the highest teenage pregnancy in western Europe, the fewest number of young people going to university of any constituency. They really do need their voice. They need it not just from the Member of Parliament, but they need it from their local Labour, Conservative and Liberal parties, and other groups too.
430. If you are trying to create that voice from any of those political perspectives, you are dealing with people who do not have a lot of money to spare and being in constituencies where, because of a very active Member of Parliament organising an excellent speaker and a marvellous dinner, you have

been able to get £30 from people. I cannot do that in Nottingham North. If I look to charge someone £5 for a sponsored curry - I might have to eat it all myself - there will be a handful of people. So we need to weight it somehow and I wish I had a magic bullet for you.

431. DAME DENISE PLATT: Yes. How would state funding get people more engaged do you think?
432. GRAHAM ALLEN: I do not think state funding per se would be. I think it would be the contribution state funding made to local funding that made a more active political infrastructure.
433. DAME DENISE PLATT: So it might be the grit in the oyster that started it off?
434. GRAHAM ALLEN: I think so and particularly if we are going to be seen to be fair. I am not saying absolute equality, but if there are clear limits, and reasonable limits, and we all work hard to convince people why it is actually important we have an active political process locally and what difference it really makes. There is a point to be made that all political parties can work together on a lot of issues. That in itself is a strength about the political system, particularly locally if I may say so. Then equally, there is quite rightly a very strong but small percentage of antagonistic issues where it is right that the electorate can make a choice because those issues are very significant in terms of service provision locally, let us say.
435. I love to see that interplay of debate locally, and I am not afraid of that. I am not afraid of arguing with my local constituents about the return of grammar schools, and they should not be afraid of arguing with me about the role of the local council in one of my favourite subjects in early intervention and getting to the babies, the children and the young people, before problems arise. I am very confident about my arguments on that. But you can sometimes struggle quite hard to find someone to argue with, to have a publicly informative debate about a particular issue, and I think we are all weaker for that frankly.
436. DAME DENISE PLATT: State funding would assist candidates to come forward for other parties do you think?
437. GRAHAM ALLEN: I think so. It is not the whole answer. I think there is now this push to localism but localism without it being written down and given a framework. Frankly, this year's localism can be next year's centralism and Whitehall can suck things back if they do not approve. So I think you do need to safeguard the devolution of power behind something a little stronger than we have than ministerial statements, and there are ways of doing that. I think that allied to other things, of which this would be a very significant contributory factor, would enable people locally to say, "Yes, rather than be a member of Friends of the Earth or the Electoral Reform Society [or whatever it may be I actually feel much of what party A, B or C stands for, I stand for, and I am going to take an active part there, and my activity will make a difference".

So I think it is a contributory factor.

438. DAME DENISE PLATT: There is already quite a bit of state funding in the system and in kind funding. Would you reallocate that? Is it going to the right things and the right places?
439. GRAHAM ALLEN: It tends to be at national level and I would be quite happy to reallocate it. I think there are a number of things that we can all do at national level that could improve our financial situation. But if it is a case of: where does the money go? Is it most effectively spent? Then, if I am looking at this as a civic society issue, I think the answer is, no, it is not, and I think our politics is very much the weaker for it, and if our politics are weak then I think we are not having the debates that we should have as a nation for some of the key issues.
440. DAME DENISE PLATT: In the evidence that you gave us you said that tax free small donations would encourage the view of political activism as a socially beneficial activity. How would that take effect? How would tax relief incentivise that activity? You would have to be paying tax to make it work.
441. GRAHAM ALLEN: Indeed, and that excludes a lot of my constituents. That is why I think you need some sort of weighting device. Otherwise it will be just the people who are able to make that contribution. It will be the more articulate. But in general my response would be if it is so easy that it is ticking a box and it is pain free and penalty free, I think there would be a lot of people who, just as they vote on that one occasion every so often, just as they register probably each year, they would be happy to participate in the political process at that very nominal level. But having done that - there are sophistications on this - you could actually also tick a box that made your name available to the political party of your choice, for example. I am not saying this is very central to my argument but nonetheless in the US most people are registered: Democrats or registered Republicans, which means that they can get access to leaflet drops and information to those who want it. It is just one step closer to being able to connect them with a political party, and that is a wholly association.
442. DAME DENISE PLATT: Who would administer those sorts of processes?
443. GRAHAM ALLEN: They are actually relatively straightforward to administer, I would think, at a local level, not least because the Electoral Registration Office will always need to be in being. I would have thought, where there is a will there is a way. Certainly Members of Parliament and candidates are given access to the electoral register and in electronic form. Just as someone marks up as an absentee voter, it could be possible for them to mark up as a registered supporter.
444. In happier times gone by, as a Member of Parliament I serviced quite a large supporters group in my own patch. It is rather difficult to do that currently, but I think it is one of the ways in which you could do a slightly

broader shallower pool, but from the shallow pool there may be people who want to take that step further and upgrade to be a local party member; some as a local party member might want to upgrade again to be an active person. But again you are building this network; you are letting the electricity flow at the local level as well and who knows what could happen.

445. DAME DENISE PLATT: Thank you very much.

446. DAVID PRINCE: Thank you. May I just go back to what you were saying about linking tax relief on donations to the locality, what you said about there being some sort of weighting? It is going to be very difficult to do that in practice, is it not? That issue of equalising resources is the thing that has bedevilled the local government finance system for 30 or 40 years now. Had you any thoughts on how it might be done simply with rough justice, but to achieve the beneficial effect that you are looking for?

447. GRAHAM ALLEN: I am going to dodge that question. An honest dodge. I think it is very difficult initially. You can look at, for example, the appallingly complex local government finance settlements that we make and the equalisation process. Apparently there are three people who understand it and two of them are dead, I think, is the slogan is it not? But that is a product of the centre sucking from the Inland Revenue all the revenue, for example, from income tax. There may be ways in which the Inland Revenue - or HMRC now - could hold some of that money at a regional and local level. So even on local government taxation it is possible to do a broad brush possible way forward.

448. How you would actually retain all those monies locally? I do not have a magic answer for that but I do think where there is a will there is a way. If we really do feel this is important, that really it is no longer acceptable in our society to have political parties that have very large heads and atrophied bodies, frankly, and that the discussion takes place at that level all the time and that all the things that our predecessors associated with active political change and debate are actually things that we are going to forego. So I do think if we get the right brains around the table - and I am sure we have got them in the room - we can come up with something like that.

449. Weighting is also, as you rightly pointed out, an equally difficult question. But again it is possible to do that. We do do it in other things. We do do it in a lot of national level grant giving from central government. So again, I think this is very possible and if I may say so I have no scruples whatsoever about attaching myself to this current drive, whether we call it "big society" or something else, but actually to create active local communities, and I am sure that the brain power we have available to do that can find the answers to these things..

450. DAVID PRINCE: Thank you. May we move on then to donations? You have said in your evidence that you support limitation of large individual donations, donation caps in other words. What level do you think they should

be applied at?

451. GRAHAM ALLEN: As a matter of principle, I go for the lowest possible level that does not inhibit the abilities of parties to survive and thrive. In other words, I would want to eliminate the dependency that certainly the big parties have on their respective donors. Again, talking as a Labour Member of Parliament, there are ways in which the trade union funding can be disaggregated, and there are ways in which funds can reach local areas and regional areas of the Labour Party if the trade unions donations are divvied up in a different way. I think again that would be something personally for my party that would strengthen our party and, if I may say so, strengthen our traditional links with our friends in the trade union movement in the Labour Party.
452. DAVID PRINCE: Do you want to develop that a bit more and in fact a little bit more on what form those sorts of changes would take?
453. GRAHAM ALLEN: I think there are lots of trade unions who are based upon a regional structure, and they could make their contributions at a regional level. The ability of trade unions to donate money to the Labour Party centrally has been reflected in a different rate for a trade union member of the Labour Party from that of a lay member. It is perfectly possible for the amount of a donation to the Labour Party centrally to be divided by an annual Labour Party subscription, and there is no reason at all why that nominal number of subscriptions could not actually be allocated to named individuals who wanted to be members of the Labour Party and will be very happy for their own trade union to pay for that feat. Those people would be real people; they could attend local constituency meetings; they could become a trade union voice in the localities. So I think again there are possibilities there.
454. I should not intervene in what happens inside the Conservative Party, but I am not suggesting that everyone who donates inadvertently to the Conservative Party, by purchasing a particular item at a shop which then donates to the Conservative Party, should have a trail to become a Conservative Party member, but all things may be possible.
455. DAVID PRINCE: Do you think there would be support for that amongst trade union members and then trade union leadership?
456. GRAHAM ALLEN: Yes, I think again if it is put over in the right way, certainly this is something that I worked on - it must be the best part of 30 years ago - with my own trade union and there are a large number of people who were very interested in doing it this way, again because that was a way in which you could have got more and more trade union members actually participating in the Labour Party life, rather than just being a nominal number, which was often used to cast a particular vote in a particular way at a party conference. So actually having those people as real people exercising their own judgement and discretion in their interaction with the Labour Party I think would be very strong, because those people make immense contributions

when asked and when properly involved, which I think strengthens my party.

457. DAVID PRINCE: We have had quite a lot of conflicting evidence about the transparency of funding within the trade union movement, particularly around the unions' political levies, and some people have argued it should be more transparent. From some figures that I saw recently from a sample of unions, it looks as though round about 30% of the membership voted for the establishment and maintenance retention of the political fund, and then about 40% of the members appear to support the Labour Party. So you could argue from that that the present structure is based on really quite a low electoral base within the union membership. Do you have a view on that and would you like to see any changes in transparency, other than the ones that you have already described?

458. GRAHAM ALLEN: As a Member of Parliament who was elected by 49.8% of the electorate in my constituency, I have to be careful about lecturing other people about turnouts. I think the trade union contributions and role within the Labour Party is about as transparent as you can get. I think there has been a real effort to make sure that that is the case, and again I do not want to turn this into a party point but 40% is certainly a lot higher than the 0% who approve donations to the Conservative Party, where money is abstracted often without people's knowledge. Perhaps we should have a political fund ballot for those donations for all parties, and then I think those arguments might be played out.

459. But what I really think is that we can arrive at a much more sensible system that allows all democratic parties to thrive and engage in healthy political activity, rather than the really very sterile debate I think we have had over the last ten years - which has at times not even been serious - looking at the size of the problem that we confront. I mentioned my constituency. I think I am down to about 200 members now in my constituency which is 190 more than the Conservative Party. Who gains in that situation? Frankly, we would all be much better off if the Conservative Party, the Liberal Party and the Labour Party had 1,000 members. What a fiery direct and lively set of debates would be had over issues such as the situation I find in my constituency on unemployment or on schooling or educational attainment or vandalism or whatever the topic may be. We would all benefit from that. I am certainly not afraid of encouraging the membership of all political parties to go up and to be actually involved and to have a real role within their respective structures.

460. DAVID PRINCE: Can I move on to the --

461. DR ELIZABETH VALLANCE: Before you do, could I come in just for a minute. You asked the question about transparency, David, and you answered in terms of transparency and I think there is no doubt at all that, from what we have heard, that this is an entirely transparent system. Unions have to go to their members, they have to seek their members' approval every ten years, and so on and so forth, and that is not in debate. But perhaps there might be a simpler - if not a more transparent - system. We have seen the

way in which you have to remove yourself from the political funds, and so on, which may not be at first apparent. It has been suggested to us that one might get round this by simply having a tick box on the front of the application form, for example. It would not necessarily be opting in or opting out. It could be either. But it would actually identify the member of the union with or not the political fund.

462. GRAHAM ALLEN: It is quite difficult because in the first political fund round in 1985, Mrs Thatcher passed the legislation quite partially quite deliberately. It really applied only to one party. The expectation was that large numbers of trade unionists would opt out and all the ballots would be lost, and the Labour Party's lifeblood would have been ended.
463. DR ELIZABETH VALLANCE: Or they would not opt in?
464. GRAHAM ALLEN: I think it was opting out at that point but the truth was every single trade union held a nationwide ballot and it was won, and indeed an additional 14 trade unions adopted a position where they decided to set up a political fund. So I have no --
465. DR ELIZABETH VALLANCE: Sorry, with respect, I do not think that is in question. All I am asking about is, rather than transparency being the criterion, what if simplicity was the criterion and instead of in effect the unions obeying the letter of the law, the spirit of the law were more in view?
466. GRAHAM ALLEN: I think the spirit of the law has to apply to all donors and I think if you start by compulsorily forcing ballots upon voluntary associations, 3 times in the last 30 years, and not applying any regulation whatsoever to ballots on the donor who supports one particular party, no explanation required, no certification officer needed, no nationwide ballots, no diversion of resources, then that rather throws into doubt the impartiality of the legislation. So I think this is a bad place to start. I really think we need to look elsewhere and sometimes simplicity can be a good thing providing it applies to everybody.
467. DR ELIZABETH VALLANCE: Thank you.
468. DAVID PRINCE: Can I move on to expenditure and campaign expenditure and so on. Would you be in favour of recommendations if we were to make them along the lines of severely curtailing national campaign expenditure by parties?
469. GRAHAM ALLEN: I think the most important piece of law relating to this is the fact that we cannot - as parties or candidates - buy media time, buy advertising time, and that is absolutely crucial. I speak as a very strong supporter of a written constitution and a bill of rights, that having looked at the United States and the way in which the freedom of speech provision has been interpreted to allow millionaires, basically, to run for office, even the dog catcher now seems to have to be someone of considerable personal resources in order to run for office. I think we would need to be a little bit

careful about losing that. I think it is incredibly valuable and people who come and visit me from the States actually see it as being a really important thing.

470. In terms of that part which is legislated for, I think providing there is not an enormous differential, I am not looking for equality but there should be some sort of level at which a differential is not acceptable for any party to be receiving double the amount of funding let us say. That is not a level playing field. It is not even remotely approaching that. So perhaps that is an area where the parties can within a generous ceiling nonetheless not be more than 30% apart let us say, whatever figure might be more appropriate.
471. The other point to throw in at this point, from my point of view, as a lay Member of Parliament, is the limit on Members of Parliament's expenditure. If I can be allowed some special pleading, I think my expense limit at the last election was £8,500/£9,000, which on a good day might get you four well produced leaflets for every elector in the constituency over a full campaign. I think that is ludicrous and I do think that needs to be looked at and lifted so that in this day and age you can do something a little more appropriate. I am not looking for £100,000 for my campaign in Nottingham North, but certainly £15,000 to £20,000 or £25,000, again, providing every donation is listed and out there in the public domain I think it would help the local debate and would mean that instead of being a proxy for an electoral college between the two or three party leaders I would actually be - what I often pretend to be - which is everyone elected Graham Allen because they think he is a marvellous local Member of Parliament. Well, there would be more truth in that if I was allowed to speak a little more to my own electorate, rather than be there as a number to be added after the presidential debates have taken place.
472. DAVID PRINCE: Thank you. You have very helpfully answered my second question. Thank you.
473. SIR CHRISTOPHER KELLY: Anybody else? Thank you very much. Is there anything we have not asked you that you want to have the opportunity to tell us?
474. GRAHAM ALLEN: No, I wish I had sharper answers to Mr Prince's questions about what the system might look like, but I guess from my side of the table it is just I do see the downside of these things and I would wish you well if you wanted to pursue waiting and how you retain additional monies in the lay structure of the parties, because that is where all the strength of the political parties ultimately comes from and, to use the phrase "the hollowing out" of our politics", I do fear that unless we rebuild our parties at that level and use some judicious use of funding at that level there could be some sort of awful collapse in political parties at the national level, which I think we would all deeply regret not having taken some action over. Now I guess having been around for 25 years as a Member of Parliament, having seen that decline, there does not appear to be anything that is arresting that trend line and so you are our best - but hopefully not last - hope in looking at it.

475. SIR CHRISTOPHER KELLY: Thank you very much.
476. GRAHAM ALLEN: Thank you very much. Thank you for inviting me. It is very kind of you.
477. SIR CHRISTOPHER KELLY: It is helpful evidence, thank you.

CHRIS FOX (CHIEF EXECUTIVE, LIBERAL DEMOCRATS) AND DAVID ALLWORTHY (HEAD OF COMPLIANCE, LIBERAL DEMOCRATS)

478. Mr Fox, thank you very much for coming to talk to us. For the benefit of the transcribers, could you introduce yourself?
479. CHRIS FOX (Chief Executive, Liberal Democrats): Certainly. I am Chris Fox and, since the summer of 2009, have been Chief Executive of the Liberal Democrats. I am accompanied today - and on my right - by David Allworthy, who is the party's Head of Compliance and here to help me if I get out of my depth too quickly.
480. SIR CHRISTOPHER KELLY: Thank you. We do not on the whole encourage long opening statements but is there anything you wanted to say to us by way of general introduction?
481. CHRIS FOX: Very briefly. I think you can see from the submission that we broadly feel that PPERA has addressed many issues, many of them effectively, and clearly you can see by our reference on a number of occasions we think that the Hayden Phillips process was a missed opportunity. I think there are three points I would just highlight and no doubt you will then either dig into those or others.
482. It is clear that there is not a level playing field in financial terms during major elections, particularly general elections, and that money or its absence does affect the final result. Why else would we target our resources on a small number of seats if we did not feel that to be true? Looking forward, therefore, we would see the setting and application of realistic caps as a vital part of trying to reach that elusive goal of some sort of level playing field.
483. The second point which I will not belabour, and may not be within your remit, but being a junior partner in a coalition government has been a financially disadvantaging process, and I am not going to expect you to sympathise. But overall we lost £2 million of opposition funding, whilst when you go into this new situation as a junior partner you do not get all the essential compensations of being a full partner in government. The point being that the goal of the legal process was to make sure that party income was not subsidising parliamentary activity, and the process of that loss of income means that we are not in that situation now and our party income is subsidising very heavily our parliamentary income which, in a sense, reverses the changes that the Neill process put in place.

484. The third and final point is: our party membership has risen over the past 12 months and I would absolutely stress that our members and supporters and their generosity are the major part of our core funding, but it is clear when you look at all the numbers that the historic decline that all political parties are feeling continues. Whether that is due to social change or what, it does seem to us that if you were going for a quick win - and I think this is echoing some of the points that I caught at the end of the previous evidence being given - there is a quick win in engaging people in areas where there has been essentially a complete falloff of political activity.
485. There are constituencies around this country where there are very vibrant local parties with lots of members, either of one, two or even three political parties at any given point in time, but there are hundreds of constituencies where there is almost no political activity and almost no membership. That would seem to me to be the gain that is available if we want to activate more people and engage more people, and therefore if we are looking at money issues and how money is allocated, one of the strict criteria I would say is: how does this money help to engage and activate people particularly in places where the political process has almost stopped occurring?
486. SIR CHRISTOPHER KELLY: Thank you very much. In terms of understanding your general stance on these issues, you have put a lot of stress on the level playing field. Could you explain that to me a bit more? Presumably, it is more than saying the other major parties find it easier to raise money than you do and so if a cap was put on, it would cut us all down to the same size. Presumably, it is more than that?
487. CHRIS FOX: I think it is. I think if you look at the asymmetry of people's ability to raise money and you look at the historic ability of parties to attract huge donations, rather than simply large donations, then you will see that there is a huge asymmetry in that ability. There are two ways of creating a level playing field: one is for all of those parties to go out and, in a sense, revitalise or change how they do things and suddenly attract all of these donations and everybody is spending huge sums of money or some way of levelling down. But however you look at that, I think you ask the question: is it good that huge sums of money are being spent and not necessarily in a way that is delivering a healthy national debate.
488. I think you will have seen, for example, previous evidence from the MP for Cheltenham talking about how the national money was essentially coming into a constituency and varying a particular debate, and I think what we need to do is to start from the other end and say: what resources are needed for local campaigns to deliver really strong local campaigns during a general election? What is the level that is required to do that? What is the level at a national level, in order to maintain the media machine that is needed, in order to support the policy machine that is needed, in order to deliver the backup and then set your cap around that basis, rather than say: what have we got now? How do we do it? What is the levelling process? So what is a good campaign and what does it cost and, therefore, what would the caps look like?

489. SIR CHRISTOPHER KELLY: In your manifesto you committed to a cap on donations at £10,000, having done your sums that would have allowed you to still have enough money to run a proper campaign, would it not?
490. CHRIS FOX: I think it would be tough if nothing else changed. Clearly, one is doing that in the context of caps in terms of national expenditure at the same time. I think we have put, in our submission, a cap of £10 million and I have to suggest that probably would be best put with your knowledge and the knowledge that you have been able to gander through this process to look back through and do the sums again as to what you think a national cap should be. But it is quite clear at £20 million it is a stretch for most parties to be able to deliver at £20 million, therefore it is giving one party a particular advantage.
491. SIR CHRISTOPHER KELLY: Yes, I understand that about the campaign. I was interested in the cap on donations where in your manifesto you commit yourselves to £10,000. If everything else remains the same would that deliver you enough to run the Liberal Democrat Party? Or when you proposed a cap of £10,000 were you assuming something quite significant would happen to fill the gap.
492. CHRIS FOX: I think there was an assumption of some state funding in that £10,000. I was not party to the overall process of that £10,000, but as you see in the submission here, we have reverted to what came through the Hayden Phillips' process of £50,000 in the submission, which I think is a starting point. I think what you could then do is have a ramp that gradually moved parties down. The idea that you can suddenly jump from unlimited to £10,000 would be difficult to manage but I think you could aspire to that over a period of years and move the parties down to that.
493. SIR CHRISTOPHER KELLY: I am still slightly unclear about the philosophical underpinnings of your position. We have talked about a cap on spending and a cap on donations in terms of level playing fields, not in terms of getting big money out of politics, which is what you actually said you wanted to do in your manifesto.
494. CHRIS FOX: I took that as a given in a sense, in that I think if you are taking your caps in donations down through £50,000 and ultimately £10,000, you are moving away from that process. You are necessarily going to have to broaden the donor base of what you are doing. We already have the broadest of donor bases of most parties, I believe. They just give very small amounts of money, leaving outside the trade unions of course in the case of the Labour Party, which broadens their base somewhat.
495. So philosophically taking big business and also the inference that goes with that. I think in one of your questions you have asked about why has transparency not essentially improved people's view of things. In essence, what transparency does is it proves what they thought about political parties, in that there is some very large donations coming in from a very small number

of people. That does not, no matter what the reasons that those donations have been given, improve people's faith in what is going on. That clearly has to be a driving force. I came at this as a practitioner saying, "For us to be able to deliver a fair result there needs to be a level playing field". I do not think the two were contradictory in anyway.

496. SIR CHRISTOPHER KELLY: Thank you.

497. DAVID PRINCE: Yes. Can I just stick with the £10,000 and £50,000. You have said in your submission that you would accept the £50,000 donation cap and - correct me if I am wrong on this - it feels there is a degree of pragmatism around that rather than something being argued from best principles. You might want to come back on that. But if it were set at £50,000, if there were a donation cap at £50,000, is that going to be enough to address the sort of perceptions that are around about undue influence? It is an awful lot of money in many people's book. It is twice the national wage, I think.

498. CHRIS FOX: I think it is a good point and time will tell. It would certainly be an improvement on the current situation. You may come up with the formula that gets us to exactly the right place first time, or it may be that you continue what has been a long journey of change for party funding. I would suggest that £50,000 in there being a ceiling in the first place is a start. As I say, I think it would get political parties to a point where they are much less reliant on one or two very large donors. Whether it improved people's view of political parties or not, we would see.

499. DAVID PRINCE: So you would see it as being the start point of your ramp.

500. CHRIS FOX: Yes.

501. DAVID PRINCE: How steep do you see that ramp being? We have had evidence from a number of people who have said, "Actually a big bang approach is the right one, do a lot of things all at once and get on with them, do not take a long time going down a ramp or into transition management" what are your views on transition and how long it would take your party, for example, to adjust to donation caps and expenditure caps in the sort you were discussing with our Chairman?

502. CHRIS FOX: Anything is possible, I think, and if that is the right approach from the point of view of the public perception of political parties and that is the right view for things as you see them, then the political parties can deliver anything. For example, I have just had to take over a party that lost two-fifths of its funding overnight so I can given probably more experience than anybody in terms of changing the funding base of the party very, very quickly. It is not recommended in terms of how you organise people's lives and employee's lives and things. It would be easier from a management point of view, speaking as a manager rather than from a political point of view, to have line of sight as to what the intention is and manage down to it. That is

obvious. Nobody wants to have to rush in and completely radically scythe through an organisation or change an organisation substantially.

503. If you are looking for a massive culture change in the way that political parties go about things, which I think is what you are getting at, then a big bang is by far and away the best way of doing it. A shock to the system is obviously more effective than a slow and gradual change. The important element of doing a big bang is the unexpected consequences of what you do. So it is very important in the process of delivering this big shock to understand what might happen peripherally. I will give you an example. If the financial and operational remit of political parties is narrowed or something by the funding, the proliferation of third parties and other organisations which are proxy organisations will accelerate unless they too are part of some process. Because what will happen is that that resource, that effort and that energy will spill out into what is more or less an entirely unregulated area at the moment. So the unintended consequences of pushing in one place is that things happen elsewhere. So that would be my big warning.

504. DAVID PRINCE: Can I just go back to your own example of the downsizing, losing two-fifths of income overnight, are there any generic lessons in that process for the other parties because we have had a sense that parties have not been as sharp as businesses or voluntary organisations in identifying their core costs. It has been rather income driven, let us get the cash in and then let us go and spend it. Has your experience sharpened your thought about what are your core purposes and are the things that you will stop doing that you think everybody could stop doing with no loss to the democratic system?

505. CHRIS FOX: There is what is generically called back office functions, which is often derided but it means that things work, that you can cut some costs on. No is the answer. I think we cut bone and flesh as well what fat there was in terms of having to take down -- we are not supporting things as well as we would like because we do not have the resources to do it. Small lessons but nothing other than doing something that quick is completely sub-optimal.

506. DAVID PRINCE: Just a couple of questions, if I may, on donations generally. Throughout the inquiry we have had a lot of anxiety expressed that larger donations could be buying political influence. I would be interested if you have got any hard evidence of your own that you want to put before us on that and whether you think the general issue of perception, public perception, is sufficient to justify donation caps in principle.

507. CHRIS FOX: I think the perception is probably justification enough. I do not have any evidence to suggest that people's beliefs are being realised. I have been a Liberal Democrat for a very, very long time and worked with the party in a voluntary sense before becoming a professional and it is not something that I can give any personal appreciation of having encountered. I do not think it is an issue. I think there is genuinely a group of people who

have values and share those values and want things to happen. That is certainly the basis of any conversation I have had.

508. DAVID PRINCE: Do you find that the existing reporting thresholds actually act as a de facto account? Do you find a cluster of donations in your accounts below the reporting levels, for example?
509. CHRIS FOX: A little, but it is not usually the issue. I think some of the local donations can -- as well as looking to David who is much more appreciative of the local issues which can become quite complex because there are so many parties and things.
510. DAVID ALLWORTHY (Head of Compliance): I think in terms of the size of donations we generally get, if it has an impact like you are suggesting, it is more at a local level than a central level where the move from £5,000 to £7,500 has clearly moved us away from that. When the cap was at £5,000 I think there were people hovering around it more than there are at £7,500. But the local cap is still reasonably small, particularly with this election, with the extra campaign period and the extra £25,000 spend, local parties had to raise a lot more money - almost three or four times the sort of money they were used to raising for a general election campaign - and were bringing in four figure sums in much larger numbers, around the £5,000 figure, than we had seen previously from individual local parties. So in some senses they were getting people prepared to give money and be open about it but I suspect also there were a larger number of people hovering below the threshold of which we can only ever get a guesstimate at because they are not obliged to tell us about them.
511. DAVID PRINCE: Moving on a final area from me, that is the trade unions. You say in your evidence that you stand ready to reopen negotiations. What would you bring to the table, what would you like the outcome of those negotiations to be?
512. CHRIS FOX: I talked about asymmetry before and clearly this is huge asymmetry. I was interested in Lord Levy's response around trade union members being able to opt for which political party they would like their money to go towards and that I thought was interesting not least because of the source of that particular view and one that I think perhaps is worth taking seriously. I have to profess, unlike the previous person in this seat, not to be an expert in the unions but I am sufficiently aware of the asymmetry that it causes within the finances of the major political parties to see that it is an issue that has to be addressed and has to be resolved. I do not think I know the answer. But I would listen to Lord Levy on this point.
513. SIR DEREK MORRIS: Good afternoon, with apologies, could I press you a little further on expenditure caps. The reason being that, as I think your evidence demonstrates this is interrelated with donation caps and state funding, you have somehow got to weave those three together. First question, you said very clearly you think there should be a limit on campaign expenditure and you say that the current limit of £20 million in your view is too

high. At last year's general election no party came anywhere near spending £20 million so is this really much of an issue in practice?

514. CHRIS FOX: I think the cap probably needs to be closer to what is practically achievable by more political parties than just one. That is at the heart of what I am saying. You are right, even £10 million is not generally speaking historically attainable by our own party, and we spent substantially less than that this time. The difference in spend makes a big difference and you only have to look at the amount of above the line advertising that occurred out there for one or other parties and not for others to see that there is a major difference in the ability to be able to buy the public's attention. That is the point.

515. SIR DEREK MORRIS: But if the limit, for example, were £10 million and you had such a limit so that both the Labour Party and the Conservative Party very significantly had to cut their expenditure but your party did not, I can see the advantage to you but what would you say to the argument that might emerge by the Labour or Conservatives that, "Our policies are more popular, we have more voters, we have more support so why should we not have more money coming from them? Why should we as bigger and, by implication, more popular parties be restricted in the sort of expenditure that a much less popular party can afford?" What would be your response to that?

516. CHRIS FOX: To start off with I would say, "They would say that, would they not?" If their policies are that much more popular, if they do have that many more members and that many more activists then they can articulate their campaign in that way. That would be my starting point.

517. DAVID ALLWORTHY: I think there is one other point. When the Neill proposals went through we argued for a £10 million cap at national level but higher local caps. In the last election the contradiction was we got higher local caps with an extra £25,000 spend from 1 January to whatever date the election started, which added about - by my quick calculations - £15 million to the overall cap but that just was added on top. There was no shift in the balance anywhere else. I think if the national cap had come down some of the issues raised by Martin Horwood and some other people about national campaigns interfering in local campaigns probably would go away. You know, there is an argument if there is sufficient money in a national campaign for it to be targeted to influence a local campaign, that limit is too high in terms of achieving a balance between money that should be spent nationally to help with the national decision, and money that should be spent locally to determine who the local MP is.

518. We have added £15 million to the cap on deciding who your local MP is but still allow the national spend to be sufficiently high for it to try and influence that decision as well, which I think goes against what was originally intended when the Neill Committee looked at those issues.

519. SIR DEREK MORRIS: I can see that, but what of the argument that says all parties know, as someone said to us earlier today, that there are some seats you are not going to win and there are some you are not going to lose, and the battleground is a relatively small number in between. That all parties will very sensibly and, indeed in many cases this morning, very explicitly focus what resources they have into those marginal seats. According to Lord Ashcroft, it was just be a bit more explicit about it. I doubt the Labour Party would disagree that it would use its resources from wherever they come to target marginal seats, why would they not? You mentioned Cheltenham for example, is that really --

520. DAVID ALLWORTHY: I would argue, and have at least one previous one of these inquiries - and it goes partly with what Chris was saying earlier - if you are looking at introducing state funding, perhaps we should look at it in a more radical way than anything we do at the moment. Personally, having looked at these things quite a lot since the Neill legislation was started, I am a big fan of the Canadian system. I think looking at something like they have in Canada where you get a refund on your election expenses of a certain percentage if you achieve a certain percentage of the vote, I think it is 50% of your expenses back if you get more than 15% of the vote in the constituency. That would start to activate activity in constituencies that are not active at the moment because they would see they have share in the process and they are getting back a benefit from the process in a way that they do not at the moment. They would have an incentive to raise money and try and increase their vote because they would get some money back that would then allow them to carry on campaigning after the election in a way that a lot of them cannot at the moment because they are too small, they are too moribund or they think there is no point in starting trying because the seat is too safe. That would be a way of opening up the system in a new way like Chris was talking about earlier.

521. SIR DEREK MORRIS: But it might also act as something of an extra barrier to the appearance of new parties, might it not?

522. CHRIS FOX: On the basis that they do not have anything at the moment it would be no more a barrier than currently exists but it would be a help up for any party that is able to push itself and get itself beyond a certain threshold.

523. SIR DEREK MORRIS: Can I ask you a slightly more technical question from your own party's point of view. If there is to be change in the expenditure limits there are different ways it could be done. One would be a tighter cap, for example, on campaigning expenditure in the, say, 12 months before an election. Another approach would be to limit party expenditure year by year by year, conceivably with a higher limit in election years. Or a third approach might be just to cap the total expenditure on all forms of party support, including campaigning over a five year parliament. Do you, from your experience, have any feeling for which of those would be most sensible and appropriate?

524. CHRIS FOX: It is a good question. I think the introduction of a fixed term parliament will give the opportunity to build phases into that five-year period if you wanted to. If you were to start looking at year on year caps, you would need to take into consideration what other elections are happening at the same time. So, for example, European elections, Scotland, Wales and London are very significant elections. Just as an aside point here, there is an anomaly with the London elections whereby their cap is not subsumed into an overall cap if there happened to be a general election and a London election coincident whereas there is for other elections - and, David, correct me if I am wrong - if there is a Scottish parliamentary election and a general election coincident then those caps then become a joint cap. That is not the case in the London elections at the moment, so just as a side project.
525. My favoured approach, and I cannot necessarily give you a logical reason except that it allows a certain sort of control over a period, would be to have either annual or three phases of a parliament whereby you have a cap for each of those phases.
526. SIR DEREK MORRIS: All right, so you might have an annual cap plus whenever there is an election in this form an extra cap or that form a different extra cap?
527. CHRIS FOX: Yes, for example, if in year 3 you have got European elections then clearly that year's annual cap would be a higher cap than year 2 perhaps, which only had metropolitan and local council elections.
528. SIR DEREK MORRIS: That does lead on to one further question that is quite close to a former question you had but if I may press it. How much do you think you need probably to run your party year by year in non-election years?
529. CHRIS FOX: More than I have.
530. SIR DEREK MORRIS: If we were trying to provide a figure that would be tight, efficient and so on but would allow a party such as yourselves properly to function and therefore help the type of parliamentary democracy that we practice in this country --
531. CHRIS FOX: David, do you want to answer.
532. DAVID ALLWORTHY: Do you mean just the national party or the party as a whole across the whole country, because that is quite a fundamentally different question?
533. SIR DEREK MORRIS: Yes. Can you give me two separate --
534. DAVID ALLWORTHY: I will try. I think at the moment our annual budget is about £4 million a year, which struggles just about to keep things going. One of the advantages of PPERA so far is we know get a lot more accounting information in from the local parties. Having done a review of that

we reckon the turnover of those is about £12 million a year. Significantly higher than the central turnover. So if you are looking at a budget for running the party as a whole, you are going to be looking a figure of four or five times what probably our current central budget figure is, assuming that that is a reasonable figure in itself. At a guess I would say probably about £20 million for the party as a whole, probably £6-7.5 million if it was the central party, unless Chris wants to say I am wrong on the second figure.

535. CHRIS FOX: No. There is a element of all sorts of things that you want to do versus things that you have to do and it should not be forgotten that a central function, particularly of our party and I am sure it is true of other parties, is that we are a member organisation and servicing our members and helping them to get something out of their role in politics. They are not there just to put leaflets through doors and to give us money, they are actually there to participate and to try to facilitate a way of their participating in the political process. I think the better we are able to do that, the more members we can sustain and the more they get out of the process. I think that is something we sometimes forget when we are talking about political parties, is actually our party has been sustained, fundamentally sustained, by its members through some difficult periods and I think that is one of the things we have to remember throughout this process.

536. SIR DEREK MORRIS: Just finally, on expenditure specifically on elections, and let us focus on the parliamentary ones, is it your gut feeling that expenditure on campaigns makes a big difference. There is a certain amount of quasi empirical evidence that it does not make that much difference.

537. CHRIS FOX: I think it makes a difference up to a point, beyond which it probably does not make a difference. The knack is calling the point. There is clichés about what works and what does not work and knowing what does not work. I think you have spoken to some academics in the process of this inquiry and I speak to academics and I wish there was a better way of measuring. Coming from an empirical background myself, sometimes it is infuriating not to be able to measure very accurately what is effective and what is not. But it is quite clear that there are elements in a campaign, which if it is completely under-resourced you will not get the result that necessarily the candidate, the local party and all the other things deserve.

538. SIR DEREK MORRIS: So it is significant up to a point?

539. CHRIS FOX: Up to a point and then it stops being significant, but it is difficult to call that point.

540. SIR DEREK MORRIS: Thank you.

541. DAME DENISE PLATT: You touched on state funding quite a bit as we have been talking, and various aspects of it, and you said in your evidence that state funding is a quid pro quo for more regulation of, for example, donation caps and expenditure caps. How can we convince the electorate

that state funding is a proper way forward at this time when it is really very difficult financially?

542. CHRIS FOX: I think you will notice we were quite cautious in the evidence we gave because I think it is extremely difficult and hard to justify. I think we need to judge it by two criteria and perhaps then, hopefully, the wider public can be convinced. The first is the issue of opening up politics and making it accessible to a broader group of people, making it more even, fairer, for want of a better word.
543. The second is helping local campaign to activate people in politics and to get more people active in politics. I think the latter is probably an easier one to justify a level of state involvement than the former in something along the lines that David suggested, or otherwise, which, in a sense, is sort of match funding but it is post match funding so to speak in terms of people have to deliver some sort of electoral mandate, even if it is not an entirely successful one, before the state is prepared to put money back into what is going on and allow a party that might otherwise have worked itself into the ground to continue to generate activity and things locally.
544. I think it is hard, as I say, and that is why we were relatively lukewarm in there, but at the end of the day you want to end up with political parties that are capable of engaging at a sensible level in politics, with policy, with the right media support and the right ability to engage with the public. That is to the advantage of everybody. To have one or two or even three parties that are overwhelmingly able to do that and no other parties that are able to do that is not to the advantage of the general public.
545. DAME DENISE PLATT: Some would argue that state funding would actually ossify that position rather than liberate it. What is your view?
546. CHRIS FOX: I think it would depend how you did it.
547. DAME DENISE PLATT: So that would be the Canadian experience?
548. DAVID ALLWORTHY: I think there is more scope for new parties coming through there. If 15% is too high, maybe 10% might be the appropriate threshold, or maybe a sliding scale where if you get 5% you get so much back, 10% a different amount.
549. But just going back to your previous point, it is actually - or it certainly used to be when I fulfilled my previous role of going around trying to encourage membership - quite surprising how many members of the public actually think all political party activity is currently state funded and they are quite surprised when you explain how little really is. So I think there is a lot of misunderstanding of the subject area out there. I think there are large numbers of the public who think it is a lot higher than it really is at the moment. I think there are probably certain elements of the public that will be quite shocked about the sums that already exist, if they knew about them, and

probably a relatively large group in the middle that could be convinced either way as with a lot of these subjects.

550. CHRIS FOX: Answering the question you have not asked, which is the existing state funding as it exists --
551. DAME DENISE PLATT: That was going to be my next question.
552. CHRIS FOX: Right, sorry. All right, I will let you ask it.
553. DAME DENISE PLATT: If the time is not right now to introduce state funding, what would have to be there in the environment to make it possible to introduce state funding?
554. CHRIS FOX: Crikey, that is a good question.
555. DAVID ALLWORTHY: To take the easy way out, and actually in practice, by the time we get to legislation we are going to be towards the end of the parliament, where in theory, if those people who have crunched the numbers are correct, the deficit issue will be less of an issue, therefore it may be easier to take that argument out to the public in year 4 and year 5 of the parliament than it would be at the moment.
556. CHRIS FOX: Not wishing to contradict my friend on the right, nevertheless one would need a generally more benevolent attitude towards to political parties than probably exist now. I daresay it may still not be favourable in four years' time.
557. The idea that political parties are a good thing is something that I am sure we are all agreed on in this room but that may not necessarily be a wider public view and that is a very long call really to be able to change that over time. I think it probably is the biggest barrier to any meaningful increase in state support. Because of that, therefore, the level that can really be conceived of at this time is not high.
558. DAME DENISE PLATT: Okay, I will ask you the question that you want to answer, which is how would you repackage the current levels of state funding to the parties?
559. CHRIS FOX: I think this group and others can take a view on what it thinks are the core activities that could be encouraged by the state. I think it has taken a view on policy work for manifestos and the policy development grant money helps to support that, and that is very encouraging and it does definitely make a difference for a party like ours. The process behind Short and Cranborne in terms of supporting opposition parties clearly still leads a slightly bleeding mark on my arm but how that is delivered, whether you give parties money and say, "Here, set up your own policy support teams" or whatever, or whether there is a civil service support that could be given to opposition parties that might be more cost effective or different or otherwise might be another way of moving around resource and money.

560. There is a core level of activity in terms of communication that parties need to be able to manage. The question is, is that something that the state needs to worry about or is it just something that the party has to worry about and the state can be relaxed about? At the moment we are in that latter mode and it is up to us. I would not necessarily advocate a major change but I think one of the points mitigating to where you said about changing the world's view of political parties would be about how it takes its message to market and the resource with which, in peace time rather than election time, it has to do that.
561. DAME DENISE PLATT: So there is some amount of in kind resources that you get, mailings, party election broadcasts, those sort of things. Do you put any financial value on that when you are considering?
562. CHRIS FOX: We put campaigning value on it, so for example the free post. I think if there was another free post enabled for council elections, for example, that would be a relatively important way of ensuring that all candidates, no matter what, got the ability to put forward at least one piece of literature to all electors. I do not put a pounds value to party election broadcasts or party political broadcasts or whatever but there is a value to them.
563. DAME DENISE PLATT: Yes. If you were given the money instead of the value that there is out there, would you buy a party election broadcast?
564. CHRIS FOX: Well, we do buy them because of course we have to pay for the production.
565. DAME DENISE PLATT: Indeed, but if you were not given the air time, would you?
566. CHRIS FOX: Yes, well would we buy them? Yes, maybe but would we buy that particular slot, that many minutes in one go? Probably not. You would spread your money in a different way.
567. DAME DENISE PLATT: Right, so there is still some sort of value if you had the freedom?
568. CHRIS FOX: Very much. Please do not misinterpret what I said, yes, there is great value to that and we would hold great stock and think it would be important to retain that. I think it is also marshalling the argument that we do not move to a position where you are buying television media as parties because that changes the caps overnight. If the ability to spend on media would suddenly change overnight and be a hugely asymmetric effect on campaigning.
569. DAME DENISE PLATT: Tax relief on donations is a suggestion that a number of people have put to us, is that something that you would support?

570. CHRIS FOX: Yes, it would. But it would with the proviso of a cap so that it is encouraging smaller donors not larger donors. I think that cap will be below whether it was £10,000 or £50,000, it would be down to the £1,000 level or whatever. It would be to very much encouraging the smaller donor.
571. DAME DENISE PLATT: Do you think you would increase your donor base if they were introduced?
572. CHRIS FOX: I think it would give us a reason to engage with people again and say, "By the way, this is really a tax effective way of doing it". It also puts us on the same footing of many of the third sector type organisations, who are themselves campaigning politically with money that has been given to them with a tax rebate. So in that sense I think there is a moral thing in people's mind, if you say, "You can knock it off like a charity" it somehow changes people's view of the nature of the political party they are donating to.
573. DAME DENISE PLATT: You touched on third parties earlier, and in your evidence you said that there is evidence that third parties are failing to register or file returns with the Electoral Commission. How big a problem is that?
574. CHRIS FOX: It started to be a specific problem during the last general election, and we have got one particular example we are still pursuing with the Electoral Commission, and I sort of gave an apocalyptic warning earlier on about how I would see them striking up. It depends, again if you call trade unions third parties then it was quite a big issue because in certain inner city metropolitan seats the major portion of the labour campaign was sustained by individual unions rather than the actual local campaigns themselves. Perfectly within their right and they did it very well, but it was neither reported nor went against the expenses or anything else.
575. DAME DENISE PLATT: Should it be reported as a third party?
576. CHRIS FOX: There is two points here. If you start to put caps on things and then you have lots and lots of third parties who are themselves campaigning, if they are campaigning for a party, in a sense it is easy to see where they are coming from and what they are doing but there are, as we experienced in the last election, people who are campaigning against something not for something. How you regulate that and how you attribute their contribution to the political debate, because they are not for the Conservative Party or for the Liberal Democrats but they are quite clearly campaigning against someone or against something who happens to be in one party or another, and at the moment are not reporting or indeed abiding by some of the basic campaign rules that political parties have to. So it is not exactly speed boats for whatever and all that kind of stuff but it is sort of tiptoeing in that general direction.
577. DAME DENISE PLATT: It has been suggested to us that registered third parties who clearly support a particular political party should not be able to campaign separately. What would be your view on that?

578. CHRIS FOX: I think David will probably be better to answer this but I think either they campaign separately and what they spend is taken out of the cap of the party for which they are campaigning or their campaign is subsumed into it. I am relatively ambivalent.

579. DAVID ALLWORTHY: Yes, we had one third party approach us about doing some things which probably would have been construed as supporting us and we consciously took a decision to allow them, I think it was a £20,000 amount out of our national limit, and Chris actually prepared all the necessary signed paperwork for that to happen. In the end they chose not to do what they originally thought they wanted to do, so that did not -happen. But when we looked at it we thought in principle that was a better way of abiding by the legislation and encouraging them to go off and campaign -- and also it was a relatively small organisation, it was not used to how politics worked, it was easier for us to reassure ourselves that somebody was advising them on the right things, like putting imprints on their leaflets so they did not get into legal trouble, and we could account for all of that for them and advise them on that rather than them having to jump through all the hurdles with the Electoral Commission of having to register, etc.

580. Now, there are hurdles and they are there for a reason. There is a European Court judgment on this but I think that related to an individual's right to campaign against an individual candidate, if I remember correctly. That was reflected in the original legislation, if I remember correctly. But it is an area where I think it does need to be looked at because when it was originally regulated it was fairly thinly regulated and there was not very much of that activity because that European Court ruling was only about a year old at the time. We are now a number of years on and I think there is more experience, there have been things like Brian Souter buying his own referendum in Scotland, for instance, on the education in schools, about sexuality if I remember correctly. It is a while ago now so it is getting dim in my brain. But there is a number of issues like that which I think really there ought to be a view on, whether that is legitimate or not. If it is, should it have to be run to the same rules as a public referendum?

581. DAME DENISE PLATT: Yes. When we have raised third party issues with other witnesses, some think if there is as cap on donations or a cap on expenditure, it may be that more money will go into third parties but it is not inevitable that it will and there is not a lot of evidence that it might. There are others that say, "Well, if it does go into think tanks that is really quite good because that enables policy making to take place and that would be okay". But you seem to see rather more dangers in third party expenditure.

582. CHRIS FOX: My job is also to see the worst in things. No, I think a significant slice will not go into think tanks, it will go into almost the opposite, the "unthink" tank, and it will be used for, at the moment, a relatively unregulated campaign.

583. DAME DENISE PLATT: Okay. A couple of things about regulation, just to finish my bit. You said that you would like to see the administrative burden reduced on smaller parties by splitting the register of political parties into two, the parties who fight parliamentary and the parties that fight local only elections. Would that not result in some candidates, some bits of the organisation actually having twice as much bureaucracy to deal with?
584. CHRIS FOX: I am not going near that one, David. You can answer that one.
585. DAVID ALLWORTHY: What I mean is actually parties would either register to fight only local elections or to fight local elections and general elections, and the appropriate level of regulation would apply. At the moment you register either on the Great Britain register or the Northern Ireland register, which is separate for all sorts of historic reasons, plus the fact it does have almost a unique set of political parties of its own. But, for instance, I think it is unreasonable for the Esher Resident's Association that probably fight about half the wards in that particular council area to have to go through all the hoops that Chris and I have to go through to register as a political party and to meet all the higher level requirements as if they were going to fight a general election in 651 seats, which they are quite clearly not going to do.
586. Certainly in the original legislation, Lord Goodhart eventually moved an amendment to exempt parish councils from the legislation, partly for that purpose, that is where most independent and smaller organisations were operating at the time. But I think we have been somewhat surprised by the proliferation of the number of parties that actually are on the register. It is, I think, somewhere around 300, if I remember correctly, last time I looked. The vast majority of those only fight elections in a single council area. There are a few that go across neighbouring councils where they are perhaps a large issue that crosses boundaries. I do think it is unreasonable. At the moment the hurdles -- and potentially the penalties facing them for not doing things that they never entered politics to do in the first place.
587. DAME DENISE PLATT: That might reduce the administrative burden costs?
588. DAVID ALLWORTHY: I think it would make their lives easier and it would probably free up Electoral Commission time to actually focus on more serious issues where there are genuine breaches or where larger or medium-sized parties need more help and advice in complying with the rules in the first place.
589. DAME DENISE PLATT: I was going to ask you about national parties who contest elections in Scotland and Wales, apart from country only parties, but I think you have probably answered that in the earlier part of your evidence.
590. CHRIS FOX: I think it has been covered.

591. DAME DENISE PLATT: Unless you want to say anything more about it. You do not have to.

592. CHRIS FOX: I do not.

593. DAVID ALLWORTHY: There is one other point on regulation. The original legislation did miss an area in terms of the way it sort of approached money in general. Because parties are unincorporated associations, we are not legal entities, we have a fairly large amount of money, and I think this applies across all the parties - I do not know whether the others mentioned it or are even planning on mentioning it but it certainly something that causes us a lot of trouble with the regulation - where it is money that is in a trust fund - not necessarily the sort of trust fund the original legislation was looking at dealing with - as trustees have to hold property on behalf of the party because we cannot legally hold it ourselves. Some of those have been organised as companies in the past because there was a period in time where companies could be used instead of individuals acting as trustees. The way the legislation works at the moment, we have to justify accepting money from all of those organisations, when actually in practice it really is our money that we already own, it is just in the care of somebody else and we have to report it as if it is coming externally. Also, if we are entering a period of caps it would be even more invidious if we were to have our own money capped and be stopped from accessing our own resources because of the way we legally have to hold them. So I would like to just put that issue on the table as something that needs thinking about-- these things are not quite as simple sometimes as being able to put an across the board solution there. It is one of the unintended consequences Chris referred to earlier that sometimes happen-- I think it got briefly debated in the House of Lords for about five minutes once somebody realised what the trouble was last time, but I suspect it has wasted a lot of time in the intervening years along the way.

594. DAME DENISE PLATT: Are there any other issues of regulation you would like to see?

595. DAVID ALLWORTHY: Legacies is a similar area, in the charity sector that is an area where more and more of them are getting more and more of their funds. I suspect there are lessons political parties could learn there because it is much harder to argue that somebody is getting influence from money that is handed over after they are dead, and sometimes quite considerably after they are dead by the time the estates are settled. So, again, I think if you are looking at caps the question of whether a legacy should be capped, because they can vary. The last couple of weeks we have been notified of ones as small as £100 but also you can get whole estates where there are no surviving relatives if you are the preferred cause that person wants to put their money into.

596. So I think there are some issues around caps in terms of perhaps you could encourage movement into areas of money which has less public appropriium attached to it and also there are issues where money -- I think

lawyers would charge us a lot of money to argue with you that - it is already our money and therefore we should not be stopped from accessing it.

597. DAME DENISE PLATT: Okay, thank you.

598. DR BRIAN WOODS-SCAWEN: Could I ask one question, it is a more general question. In many organisations the evidence is that the whole culture and attitude to probity depends very much on the message from the top of the organisation. What evidence can you share with us about how seriously the leader of your party takes this agenda of probity?

599. CHRIS FOX: He raises it with me and has checked the processes that we have. When I joined the organisation I went through the process so that I was happy with it. We have a chair of the trustees who is overall overseer of our process so that, in a sense, it is taken away from the line decision making if there is a need to make particular decisions. I think the combination of his interests, the fact that he set up and maintains a system which has separation of duties, which I think is actually quite important --

600. DR BRIAN WOODS-SCAWEN: To what extent therefore would you be of the view that that message has penetrated the organisation and that the people understand that this is important in its own right and is not just another set of rules to comply with?

601. CHRIS FOX: I think it is fairly well understood. I think the further you get away out into the hills it can sometimes not necessarily have permeated, although there is no evidence of that. It is something that we, through our regional organisation, through the regional chairs, through the fact that compliance flows down through a federal system and there are people in charge of compliance who we talk to regularly at all levels. So it is not something that is completely remote, there is a direct line and they are accountable and held accountable if they make a mistake. I would say you could never be complacent with any organisation. I have worked in the private sector and it is like everything else, you have to keep maintaining pressure on a particular message because, of course, people change as well as the situation, but I think we work quite hard at it.

602. SIR CHRISTOPHER KELLY: When you said just now that the leader of the party had separated the roles, which roles were separated?

603. CHRIS FOX: Of signing off donations at a particular level.

604. SIR CHRISTOPHER KELLY: Separated off from?

605. CHRIS FOX: From me and the line management. So essentially there is a process whereby a particular level of donation goes through an escalation of people who are not the line management who make the final approval to accept a particular donation or otherwise.

606. SIR CHRISTOPHER KELLY: A final, final question. You made clear that losing Short and Cranborne Money had a significant effect. Apart from the transition problem, was it the right thing nevertheless?
607. CHRIS FOX: No, it is not because then a party moves from opposition to being completely in government then it has a foot in every department. It has the special advisor network and all those kind of things which exist in total across the departments, and that enables it, in a sense, to create the linkage between party and policy, which is needed. We do not have that and therefore we are having to substitute that connectivity through the parliamentary party and others with people.
608. SIR CHRISTOPHER KELLY: Forgive my ignorance, do you not have ministers in most departments?
609. CHRIS FOX: Yes, but they do not have special advisors. Anybody who is not a cabinet minister does not have a special advisor. So essentially all of that level is not available.
610. SIR CHRISTOPHER KELLY: Do you think that the fact that that situation exists is simply because no one had really thought about it in the context of a coalition government, apart from Scotland where it was obvious it was going to be one?
611. CHRIS FOX: I think it is the first time that clearly this has been ... it is a voyage of discovery at every level, politically and administratively. So, yes, it was not necessarily the first thing you thought of.
612. SIR CHRISTOPHER KELLY: Nevertheless, we are in a coalition government, it would have been possible for the coalition government to have changed it.
613. CHRIS FOX: Yes, but I am not in the government so you will have to ask someone from the government that question.
614. SIR CHRISTOPHER KELLY: Thank you very much. Is there anything we have not given you the opportunity to say that you would like to tell us.
615. CHRIS FOX: I think we got our oar in just now with those ...
616. SIR CHRISTOPHER KELLY: Thank you very much, it has been extremely helpful. Thank you.

AMANDA MCLEAN (INSTITUTE OF FUNDRAISING)

617. SIR CHRISTOPHER KELLY: Ms McLean, thank you very much for coming to see us. The reason we asked you to come was because one of the dilemmas faced by this inquiry is that there is quite a head of steam behind capping donations to political parties which then immediately raises the question of what you then do with the hole in finances that is left, with most

people thinking that increasing state funding is not likely to prove politically acceptable at the present time. So the issue arises as to the extent to which political parties have the ability to increase their funding by increased membership or increased donations of a smaller kind, with or without tax relief and so on. So we were hoping that with your experience of fundraising and the voluntary sector, you might be able to offer some advice about what scope you see for doing that.

618. From where you sit do you think that the political parties are efficient and effective in fundraising?

619. AMANDA MCLEAN (Institute of Fundraising): I think it is very patchy. There are lots of forms of fundraising that are never going to be open to political parties and the fact that major donors are such an obvious problem, and yet that is a form of fundraising that many charities will ultimately be aspiring to. But that is one of the things that we are saying we are trying to move away from so it makes it quite different. You will probably never get many people running marathons or climbing mountains to raise funds for political parties either. So there are certain channels of income which are not available.

620. There are patches of parties doing well in fundraising. It tends to be quite local, it tends to be very much linked at the moment to social networking sites and overall I would say it is still relatively simplistic compared to what is going on in the charitable sector.

621. SIR CHRISTOPHER KELLY: So if you were employed as a consultant to one of the parties being put in a position of suddenly finding they could not rely on large substantial donors any more, what would you tell them they should be doing?

622. AMANDA MCLEAN: People give to people and to causes which motivate them. So you need to take a longer term view. You need to develop relationships. More and more in the current climate people will give to individual campaigns and causes and will think nothing of supporting one political party on one issue and a different party on a different issue, which means that the fundraising and activities that follow that have got to be linked much more to whatever the cause or campaign is rather than just the party activity more generally.

623. For example, if you look at during the last general election, there were a number of very successful small fundraising ventures, particularly online where people were donating to stop a particular candidate in a particular seat and that was what was motivated. There were some individuals who are known to have actually given effectively supporting different parties in different seats because it was related to the cause or whatever. So I think if you are going to start looking at how political parties can fundraise away from major donors and things like that, they have got to get away from a very simplistic, "We stand for all of this, we are wonderful, give us your money" type approach to engaging locally. A lot of the reason the things Obama did the States

worked so well was it looks like it was effortless, small donations online, but there was a huge amount of community activity going on behind the scenes making people feel that they were involved in things and that they could make a difference. The fact that that was the climate in which they were operating meant the donations were able to come forward online.

624. SIR CHRISTOPHER KELLY: Do you think the same kind of atmosphere could be created here? People often comment on the different fundraising environment of the voluntary sector in the States as opposed to here.
625. AMANDA MCLEAN: I think the climate is very different. The States they are much more open and explicit in their asking, in their expectations and in their giving. That works right across the board in charities and in political parties. You could get more giving through local activity but the activity and the involvement in localism on the ground has to happen first to drive the donations. You are not going to get a Facebook campaign that is suddenly going to get lots and lots of people giving to one or all political parties just on the back of an online campaign. It needs to have the other stuff behind it and the relationships behind it.
626. SIR CHRISTOPHER KELLY: That is quite interesting in the context of our earlier witnesses this afternoon, when you were not present, who suggested that funding was one way of addressing what he saw as the need to recreate a local presence or increase the local presence.
627. AMANDA MCLEAN: Certainly I think it is a good -- you want it to turn into a virtuous circle rather than a vicious circle, do you not, in terms of people getting involved in a cause about which they feel passionately and where they feel they can make a difference, and then they are giving their time and they are giving their money. They may give their time to knock on doors, persuade their friends to run events, to raise awareness and it all becomes part of the same thing. Then they use their online communities to engage people and to make the giving easier.
628. Because one of the things there certainly needs to be, both in the charity sector and in political giving, it has got to be something which is easy for people to do.
629. SIR CHRISTOPHER KELLY: Thank you. In your experience, if political parties were put in a situation in which they had to raise a lot more funds from smaller donations and had therefore to change their culture and create a different sort of fundraising organisation than they have at the moment. In your experience of the voluntary sector, how long does it take to build a fundraising campaign?
630. AMANDA MCLEAN: It is very difficult. It depends what level you are talking about and where you are going. If you are talking about a national party bringing in millions of pounds, it is going to take years to do that. If you are talking about someone in one ward or one constituency raising enough

money to run a local council campaign or a parish council campaign, obviously it is going to take a much shorter period of time to do that.

631. But one of the things we have been saying a lot recently for a lot of different reasons is that it is usually perfectly possible to switch from one form of funding to another but you cannot flick a switch and do it overnight. It takes a while to build up the skills and the expertise, get the right staff in place, get the relationships and the investment there. It can absolutely be done but it will not be a quick fix and people usually underestimate what it takes and what is involved in actual fundraising.
632. SIR CHRISTOPHER KELLY: Can you scale that a bit? When you say it would take years, do you mean more than one or do you mean ten?
633. AMANDA MCLEAN: If you are talking about a fundamental change to the way a party is funded at national level, then that is towards the higher end of that. If you are talking locally, then you would be scaling it down. It would depend on which party you are talking about. If you are talking about the three or four big parties, it would take them longer than it may for some of the smaller parties with special interests, so there is a range of things you need to take into account.
634. SIR CHRISTOPHER KELLY: That is very helpful. Thank you.
635. DR BRIAN WOODS-SCAWEN: I would like to explore the whole fundraising landscape. Let us try and do it this way. If I came in as chairman of an organisation, not necessarily a political party, that was significantly dependent on fundraising and I asked, "What does the landscape look like and how do we prioritise and make choices about where we are going to put our efforts on a consistent basis to raise money?", what sort of description could you give me?
636. AMANDA MCLEAN: Firstly, I would say make sure you diversify it. No matter how tempting it may be at any one point in time to put all your eggs in one basket or even a couple of baskets, that is terribly short-term, as some organisations are finding out at the moment to their cost. It is really important that you look at a range of channels of income.
637. Obviously you are going to concentrate on one or two that are performing very solidly for you. It will vary tremendously from organisation to organisation and even the charity sector in which that might be, but broadly speaking you will have a couple that will have a long track record of bringing in quite a lot of money. You would put a lot of effort there. If there are few new things that maybe you have not tried before, assuming you have a little bit of time and money to invest, you should always try those out at a low level to see how they go. Then you have the other stuff just ticking along in the middle which will ebb and flow depending on the time and what is going on at any given time.

638. Even three or four years ago, a lot of charities would be expecting to get quite significant money from corporate funding. The big banks had charities of the year that were worth several millions of pounds just from one of the high street banks in terms of a corporate relationship. No one would have said in 2005 that in fact five years later or even less that would not be happening. Those charities that did not see that coming or relied very much on that suffered then just as much as those that have been relying exclusively on local authority funding more recently.
639. DR BRIAN WOODS-SCAWEN: What advice would you give on the balance between supply-side issues around organisation, structures, material and communications and demand-side issues in terms of choosing segments, sectors, individuals and relationships? You have all the things that you are going to push out and then there are all things around unlocking the cheque.
640. AMANDA MCLEAN: You have to invest in fundraising. You cannot just expect one person sitting in a room somewhere to rapidly be able to create money. You need to invest to earn it and different types of fundraising will give a different level of return. In the charity sector, somebody that is a good solid trust or grants fundraiser may well be able to give you a return of 10 or 12 times their costs, whereas an events fundraiser will give you a very different return. A community fundraiser will be different again. So it is all about spreading the risk.
641. Also, there is the rather inconvenient truth of actually what the donors want to give to and how they want to give it. Charities have had to learn that lesson and are going through adapting all of that now and if political parties are going to move into that area they will have to learn that donors will not necessarily want to fund organisations. The causes and the manifestos may be fine but, with exactly the way they are set up and exactly the time and amount you want, you probably will not get that because that is not how donors operate very often.
642. DR BRIAN WOODS-SCAWEN: There seems to be a message after the last presidential election that there is a magic bullet around the internet. What is your view on that?
643. AMANDA MCLEAN: It is not. If I could go back into the charity sector which is obviously where my experience is and think about the donor pyramid, which I am sure you are familiar with, you have lots and lots of different ways of money coming through the bottom channels and we are all trying to move people up to the top to get as much money as possible out of an individual donor whilst still enabling them to feel gratified and satisfied with what they are doing. What we believe is all we are doing is currently extending the platform at the bottom and now the charities are having to actually do the link-up to make sure that line also goes up to the top. It is not a magic bullet. People give in different ways. The Green Paper recently identified that the majority of people still give through cheques.

644. DR BRIAN WOODS-SCAWEN: Is it a serious opportunity for organisations to use the internet and to extent the base with significantly more small-value donations?
645. AMANDA MCLEAN: Absolutely. There is an opportunity to do that and any organisation seeking to fundraise would be foolish not to make the most of it but, as with everything else, there is no secret to it. I alluded earlier to the necessity to have lot lying behind it and there needs to be local activity. It needs to be very focused. Generally things online that succeed well are things that have spread through word-of-mouth through social networks.
646. At the moment for most political parties it is pretty basic. If you go on to their websites, they may ask if you can give a one-off donation here, they may ask you to join and they might even in a few cases ask you to sign up to a regular direct debit. But they are not giving you a broad base of ways of getting involved. They are not saying, "Come and fund this campaign or sign this petition or get involved and support this campaign here or deliver these leaflets there", in the same way that charities do. If you go on a charity website, most (especially the big charities) will probably have between half-a-dozen and a dozen ways that someone can get involved. Many of the platforms online will then link back into their social networks. Political parties generally are not there with that yet.
647. DR BRIAN WOODS-SCAWEN: How important is the solidity and recurrence of membership fees as compared with other forms of income?
648. AMANDA MCLEAN: Political parties and charities should not rely on membership fees to fund what they do. It is a solid source of core income, if you like, to meet the base level if you are a membership organisation and it is also a great opportunity of making someone feel involved and begin to engage them in the process. But it will not solve all the problems and certainly putting up membership fees to raise more money rarely worked. You may find you were slightly undercharging for a short time and people will pay but, very quickly, you will hit, "Hang on a minute. What am I getting out of this?" So you need to find other ways of engaging those members and getting them to give in different ways.
649. DR BRIAN WOODS-SCAWEN: You talked earlier about issues-based funding and relationships. How do you think political parties could build on issue-based relationships as opposed to simply, "Give us the money"?
650. AMANDA MCLEAN: I do not think it is difficult for them to build on that. I just think it needs more of a shift of mindset from the people involved because they may find themselves working with individuals who are opposed to them in many other areas. If you look, for example, at the AV referendum at the moment, you are seeing people who are not national bedfellows campaigning together. If you take that out to a local and grassroots level as to how that could work, and it does work very often, people will choose to support one cause or another, but political parties' mindsets and structures are not set up to embrace people who oppose them on many occasions and to

work with them on one campaign and to make those people feel comfortable in doing that. So, again, it is not just down to the funding. It is also down to the way you are doing your campaigning locally and how that works and so individuals feel entirely comfortable. Those who are not at all political or who think they are not at all political feel very happy moving from one campaign to the other. But as soon as you have political involvement it suddenly becomes very difficult to work with that party there and that party over there. So it will take quite a degree of shifting in how things work locally to get people to do that.

651. But online, if you want people to support something very simple and very local, with certain generations at least online giving is a very simple and easy way of letting them do that. It does then, of course, mean that the income is restricted. Again, charities are very comfortable with dealing with restricted income. We have it all the time. Most political parties do not come across it very often, I do not believe. When they get their income, they have their income and they decide how they want to spend it.
652. DR BRIAN WOODS-SCAWEN: To what extent do you think there is a prize for political parties in terms of using fundraising of the kinds you have described, not simply to increase their income, which they may have to do if there are going to be constraints elsewhere, but also to build local relationships and activity and networks?
653. AMANDA MCLEAN: I think it goes hand-in-hand. I think that people get involved in any cause, political or otherwise, for a variety of reasons. As soon as you have engaged someone in one area, then there is a much greater chance they will support you in others, be that giving money and they may then get involved in delivering leaflets or campaigning or standing for local council or whatever or, equally, vice-versa. I think charities are very good at working out how to maximise support from donors without going over the top and without alienating them or making them feel pressured. Political parties tend to put people into categories: they give money, they campaign, they do this, whereas actually it should be seen much holistically. What can you do with the time and money and resources that you have available to support the cause that matters to you?
654. DR BRIAN WOODS-SCAWEN: Would it be fair to summarise everything you have said thus far or to conclude that you would regard political parties as kind of stuck in the 20th century in terms of fundraising and that they have actually quite a long way to go to get up-to-date?
655. AMANDA MCLEAN: That is probably slightly overstating it. There are certainly some great examples, particularly locally, of that not being the case. But, yes, I do think there is a way to go with that, largely because they simply have not had to think about or have not thought they have had to think about it in the same way that charities have.
656. DR BRIAN WOODS-SCAWEN: Can I turn to gift aid? There have been suggestions that the gift aid model could be applied to political

fundraising in some manner. But before we get there, to understand gift aid and charities, can you describe in overall terms the impact of gift aid on charitable giving and fundraising?

657. AMANDA MCLEAN: Gift aid makes a significant difference to charities in terms of their income levels and, again, they are going through at moment just realising the impact of the end of transitional relief and realising what that is going to mean for the sector as a whole, so that is a good demonstration of what the income means. It very rarely encourages people to give. That is not the reason why they give. It is very rarely the reason why they give more. People like the idea that they can get extra money that is going to the charity rather than the government and so they are happy to sign a form to let the charity get it but it is not normally --
658. DR BRIAN WOODS-SCAWEN: It does not act as an incentive itself?
659. AMANDA MCLEAN: No, it is not usually an incentive in itself.
660. DR BRIAN WOODS-SCAWEN: We have been having a lot of debates around the public perception to state funding of political parties, particularly in the current financial climate when other forms of state funding are being cut back. Do you think that the public regard the gift aid top-up as coming from state funding or is it some other kind of miraculous increase in money?
661. AMANDA MCLEAN: I think they thought about it they probably would, but I think the vast majority do not really think about it. I do not think that they do not get it. I think they just simply do not think about it. Charities all the time are asked, "Can you gift aid it? Are you eligible? Is it okay to sign this form and do you meet the criteria?", they are explaining that the money would then go to the charity rather than to the taxman, as it were. So, if people start to think most of them would reach that conclusion, but I do not believe many of them explicitly go through that thought process without prompting.
662. DR BRIAN WOODS-SCAWEN: We have also been discussing various recommendations for caps on donations to deal with either the reality as people might see it of political influence or at least the perception of political influence through major donors. There are various levels of cap that have been suggested. The whole financial model is three-dimensional. There is donations, there is expenditure and there is state funding and we have to balance all of those.
663. If there were a significant constraint on donations through caps, how long do you think parties would need to adjust to the new realities? What kind of period of transition might be legitimately put in place?
664. AMANDA MCLEAN: That is really hard for me to answer. It depends. Different parties at different levels would need different amounts of time to adjust. It depends what level you are looking at.

665. You also have to remember that whilst there is huge opportunity, I believe, for political parties to do more fundraising, there are not limitless pots anywhere. In the same way that some charities are adjusting to the new reality of there not being limitless pots of state funding for charities, then I do think political parties need to realise that you cannot say, "There is no state funding, you are not allowed to have any significant major donors, you cannot do lots of things charities can do and you can still carry on expecting in some way the same level of income to come in". There has to be a balancing somewhere.
666. You need to make a decision, really, about how far. Do parties need to spend at the level they spend at the moment? If they do not, how much can it come down? What would be a reasonable level? That is something that I am not qualified in any way to answer at all. I can simply pose the questions. There is not a limitless pot out there for political parties any more than there is for anybody else.
667. DR BRIAN WOODS-SCAWEN: Many charities are having to respond very quickly to the new reality of public funding. What is your assessment in overall terms of the way in which they are doing that? To what extent is it going to put either the existence or the ability to deliver services at significant risk?
668. AMANDA MCLEAN: It would undoubtedly do that in some cases. Again, it will depend on how diverse their income streams have been up to this point. There are those who have relied significantly or exclusively on state funding, whether that is local or national, and who have had a short notice period. Some organisations do not know today whether they have any money from 1 April. For those that find out that they have not, the opportunity to actually get money from anywhere else is pretty limited in that space of time. It will make a difference. As I was saying earlier on, it is not that the adjustment cannot be made. It is that you need time to do that and you need to recognise that it is not just a question of saying, "Okay, now we cannot get money from the government, so we will get individuals to donate. Let us get the telephone book out and start phoning". It is more sophisticated than that.
669. DR BRIAN WOODS-SCAWEN: What sort of capabilities have charities needed to respond effectively and what sort of capabilities might political parties need to respond to a new set of realities?
670. AMANDA MCLEAN: In order to respond to that, you need to have experts in a wide range of income generations. The Institute of Fundraising helps people who raise money from voluntary sources and we do everything we can do give support both formal and informal and training to fundraisers to do that. You need to have that type of skill level in order to do that. We are seeing a huge increase in demand from the charity sector and the mainstream and indeed the higher education sector and the arts and all of that at the moment from people who are desperately keen to up-skill as quickly as they can to respond. A lot of them will be able to get a lot of the funds that they need. The question will be whether they can do it quickly enough in the time

available at the moment.

671. DR BRIAN WOODS-SCAWEN: A final question. Charities are of course highly regulated. A number of witnesses have said to us that at a local level or constituency level parties are very dependent on volunteers and the more you seek to regulate it the more unreasonable the burden on individuals who are not trained, not qualified or not capable of complying with all of that regulation. For local parties with relatively small levels of income and expenditure, you have to be kind of balanced in terms of how much sensible regulation you need to impose. What is your experience of the burden of regulation on charitable activities, particularly amongst volunteers?

672. AMANDA MCLEAN: I am really speaking primarily of fundraising rather than more generally. Volunteers, speaking broadly, are put off when they see what they perceive as unnecessary bureaucracy. There are things we often hear around health and safety and what they regard as unnecessary CRB checks and those sorts of things. That is what puts them off. Very often, the volunteers do not see that for themselves. It is the charity that sees it. The charity may be put off seeking the volunteers because of the burden that is going to be involved in having them. But I can only speak very broadly.

673. DR BRIAN WOODS-SCAWEN: So would you conclude that as part of our deliberations understanding the impact of the level of regulation on the readiness of people to volunteer will be something we need to think about?

674. AMANDA MCLEAN: Absolutely, and also when you are looking at caps on donations and that sort of thing, you need to think about individuals who may donate to more than one candidate or more than one constituency level and how reasonable it is to expect parties to manage to track all of those. In some cases it would clearly be absolutely reasonable to expect it. In other smaller parties where there are one or two and people simply would not know, how reasonable would it be to expect them to track that and what would be the penalties?

675. SIR CHRISTOPHER KELLY: That was extremely interesting. Thank you very much. Is there any advice we have not asked you to give us that you feel you want to give us?

676. AMANDA MCLEAN: I do not think so. I suppose I may touch briefly on the gift aid issue. It is something which in many ways looks attractive and would also allow political parties to get further engaged in the wider civil society. But you also need to think about the impact that would have on charities and on the perception. Charities are currently limited as to how much lobbying or campaigning they can do and yet gift aid is one of the key benefits you get from being a charity. If you are then going to give gift aid to political parties but not making them charities, are you still then going to limit the political campaigning that charities can do and be aware of unintended consequences around that?

677. The Institute would say that certainly gift aid is worth exploring and I would not go any further than that, but just be careful around the whole campaigning and gift aid aspect.

678. SIR CHRISTOPHER KELLY: That is interesting. Are you concerned about the possible corruption of the concept or are you concerned that there might be competition for funds?

679. AMANDA MCLEAN: I am not concerned personally about the competition for funds. As an institute, we have not come to a firm view as to whether we are pro or anti. It is something we are looking into at the moment. We think there is huge potential for it to really help engage in a wider civil society. We also are concerned about the potential damage to reputation and also the strange mismatch of organisations who are not charities being able to claim one benefit while those who are charities are not able to do things.

680. SIR CHRISTOPHER KELLY: Thank you very much. That was extremely helpful. We will now break until 3.30pm.

GLYN BARKER (VICE-CHAIRMAN, PRICEWATERHOUSECOOPERS UK)

681. Mr Barker, thank you very much for coming and thank you for your written evidence which was extremely helpful. Is there anything you would like to say by introduction? We tend not to welcome long opening statements but is there anything you would like to say?

682. GLYN BARKER (Vice-Chairman, PricewaterhouseCoopers UK): No, I quite understand. I would much prefer just to answer your questions and deal with what you think is important.

683. SIR CHRISTOPHER KELLY: Thank you very much. You made it very clear that you only get involved and support political parties when it is in the interests of the firm and its clients. Could you explain what things are in the interests of the firm and its clients?

684. GLYN BARKER: Sure. On the reasons we provide work and services to political parties, I guess there are three or four points to make. The first reason is we seek to have a pretty balanced and broad engagement with the main political parties. We think that is healthy in terms of mutual understanding as between the firm and the parties.

685. More specifically, we think there are a number of advantages to us in engaging with political parties. The first would be, by providing the range of services that we do and the expertise to those parties, there is almost an altruistic aspect to it, which I know sounds a bit slushy to cynical people but it is real. We think if we can engage with parties and provide specialist and advice and assistance that enables policy development and then ultimately perhaps legislation to be more effective, then that is good for us, it is good for our clients and good generally. So that is point one.

686. The second point is it does provide us with a much better understanding on how the parties themselves are thinking about policy formulation which then eventually might influence legislation. That is hugely helpful to us as a firm when we are developing our own strategy for investment, strategy around our service offerings and so on, and also very helpful to our clients in understanding how the political parties are developing their thinking.
687. The third thing would be it enables us to showcase both the firm and some of our experts with the leaders of the political parties, which we think is obviously good for the firm. So, basically, the engagement is around a mutual sharing of knowledge. That is the net benefit.
688. SIR CHRISTOPHER KELLY: I expected you to say a fourth thing was that it gives some of your staff the opportunity to learn.
689. GLYN BARKER: Absolutely, staff development, precisely.
690. SIR CHRISTOPHER KELLY: So which of those things give a commercial advantage to the firm? Understanding how policy works? Showcasing the firm?
691. GLYN BARKER: Ultimately they all in the long-run potentially have economic advantage to the firm. None of them is of a direct economic advantage to the firm. I should make it clear that actually the people that we engage with when we provide pro bono work to the political parties are usually not at all the sort of people who ultimately might contract with PwC in the public sector, which is the civil service rather than political parties. So direct and immediate financial benefit we do not see from doing this.
692. But in gaining a better understanding of the way the political parties are thinking and designing legislation does enable us better to prepare to provide services to the public sector in due course and actually enables us to advise our clients better. That makes us a better firm and therefore gives us medium-term financial advantage, but no more than that.
693. SIR CHRISTOPHER KELLY: Does it give you a comparative advantage over any of the other large consultancies?
694. GLYN BARKER: It gives us only a comparative advantage to the extent that we can do this more effectively than any of our competitors. In fact, I think some of our competitors engage at least as much as we do with the political parties and some to a lesser degree.
695. SIR CHRISTOPHER KELLY: If you were entirely hard-nosed about it and you did not give me your first reason, which you said was altruism and sounds like, "The policy is better if we are engaged" --
696. GLYN BARKER: Yes, might be.

697. SIR CHRISTOPHER KELLY: If you put that to one side and you were making a business case for doing it, the business case would be quite a strong one?
698. GLYN BARKER: Yes, it would, but it would be a medium-term investment business case. It would be around investing in a better understanding of policy development and eventually government than we would have without such engagement. There is a business case around that and that is the business case and that is why we do it. It is not a short-term immediate financial advantage business case because it is very much seeking knowledge, not seeking influence.
699. SIR CHRISTOPHER KELLY: Of course. How many different organisations do you think might be in the same position as yourselves? I ask that because one of the things we had been looking for is, if there were a cap on cash donations, what fills the gap in income. We have spoken to some people including a major retailer who takes stands at party conferences. I think the big consultancies are fairly unusual in the scale of the support they provide. Do you think there are other parts of the private sector for whom an arrangement similar to yours with the political parties would be advantageous without bringing in the issues of influence, position and so on?
700. GLYN BARKER: I do not know the answer but I can guess. I think there would be a large number of organisations, as you say, in the private sector which would do things like participate in party conferences, take stands, do stuff at the fringe, book tables at dinners and all those sorts of things.
701. But it is only organisations such as ours with the breadth and depth of skills and experience that we have that is in a position to provide something to the political parties that they would really value. In particular, we find political parties in opposition who do not have the resources of the civil service and so we do far more pro bono for parties in opposition than we do for the party or parties in government. Because of the depth and breadth of the skills that we have, we and firms like ours are much better placed to provide this sort of assistance than most organisations out there, so I should think it is limited in number.
702. SIR CHRISTOPHER KELLY: But it might apply to a major legal firm?
703. GLYN BARKER: Maybe the legal firms. Certainly the big four firms such as ours I would imagine, perhaps the strategic consultancies, Bain's, McKinsey's, perhaps. I do not know.
704. SIR CHRISTOPHER KELLY: When the time comes and the party you have been supporting in opposition switches into government and you start looking for pay for your work, is it an advantage, a disadvantage or entirely neutral whether or not you provided pro bono support while a party has been in opposition?

705. GLYN BARKER: The one advantage it gives us in some areas is it gives us a knowledge of the thinking behind the legislation and what the party is seeking to do if and when it gets into government. That is an advantage when we are then preparing ourselves to provide service offerings and assist.
706. That is the only advantage that it gives. As I alluded to earlier, most of the buy-in points for our services are not the senior politicians in the Cabinet or the Shadow Cabinet. They are civil servants and are at a very different level and have a very different nature.
707. SIR CHRISTOPHER KELLY: You explained how you value the pro bono support you provide. I am not sure I heard what the total value is.
708. GLYN BARKER: I have the figures here. In 2009, which was the highest in recent years, we provided a total of about 5,500 hours. That was valued on the basis, as explained in the letter, of about £530,000. To put that into context for our firm, that is about a quarter of 1% of our revenue.
709. SIR CHRISTOPHER KELLY: Thank you.
710. DAME DENISE PLATT: I would like to understand a bit of the process that you go through. What is the balance? Do parties approach you or do you approach them? How does it work?
711. GLYN BARKER: They approach us but once they know about us. What we do in the firm is we have teams which seek to engage with each of the major political parties and those teams are led by a partner. The teams are on the receiving end of a guidance note, a written policy, which I can provide to the Committee if you want it, which explains the rules of engagement, if you will, around what we are prepared to do and what we are not prepared to do. Basically, I can summarise it as we are prepared to provide advice, expertise, assistance, analysis, all that sort of stuff. We are not prepared to get involved with seeking to influence or direct policy. I can give some specific examples of that if you want. These teams then seek to engage with relevant people in the parties.
712. Actually, it varies quite a lot as to the degree to which each party has an appetite to engage with us and seek our support. Always, it is the party or parties in opposition that seem to want to use us more, for obvious reasons. There has been a big switch since the election. Prior to the election we were doing much more for the Conservatives and the Liberal Democrats. We have done nothing for the Conservatives since the election but we are doing quite a lot for Labour. To go back to your earlier point, Chairman, it is not seeking to curry favour or schmooze up to the party in power. It is quite the opposite, actually, in terms of where the work goes.
713. When a party then approaches the team and asks if we can help on a particular aspect, the team puts together a proposal. Every proposal has to go in front of what we call our Political Liaison Committee, the subcommittee that I referred to in the letter. That Committee will consider in detail both the

nature of the assignment that we are being asked to help with and also the overall balance of work that we might be providing to a particular party.

714. For example, there was a time when the work for one particular party was becoming reasonably extensive compared with what we were doing for other parties and we like to try and keep a balance. Therefore, we asked the team to engage with that party and to say, "Look, there are a number of things you are asking us to do. We are not prepared to do all of them because it is an over-commitment to your party. You choose which is of more value to you". That is basically the process. That is how we decide what we do and what we do not do.
715. DAME DENISE PLATT: You referred to the major parties, so you are talking about the three parties that operate throughout the UK or is there assistance to parties in the different jurisdictions and to smaller parties?
716. GLYN BARKER: We seek to engage with the Conservatives, the Liberal Democrats, the Labour Party, the major parties in Scotland and Northern Ireland and Plaid Cymru. With the minor parties, we do not put the resources specifically to engage with them, but for any party that we regarded as a significant and mainstream party (perhaps the Greens or something like that), we would engage with them if they sought to engage with us.
717. DAME DENISE PLATT: So you are mainly seeking to engage with the parties that have a possibility of power?
718. GLYN BARKER: Yes, and affecting legislation.
719. DAME DENISE PLATT: So that is a key issue in you entering into this sort of activity?
720. GLYN BARKER: Yes, that would be fair.
721. DAME DENISE PLATT: Is all the work that you do for the parties pro bono through these approaches or are there criteria for paid for and non-paid for?
722. GLYN BARKER: To my knowledge, and obviously I have prepared in quite some depth for this, we have not billed a political party for work. I think all our work for political parties is pro bono. Where we bill, we are billing the government through the civil service. I do not think we have billed a political party.
723. DAME DENISE PLATT: Is there a notional amount you have when you are working with parties? Is there a limit or is the support you give unlimited?
724. GLYN BARKER: It is certainly not unlimited. We are not terribly specific about the limit. But I think the figures I quoted to you for 2009 would be at the highest end of where we would want to be.

725. DAME DENISE PLATT: Is that because it was a particularly hard-fought political scene at that time? Why do you think it peaked?
726. GLYN BARKER: There was huge demand for our services. Out of the 5,500 hours, it was about 4,400 for the Conservatives, about 600 for Labour and the rest, predominantly, for the Liberal Democrats. In 2010 it dropped significantly to 3,800 hours overall. One of the reasons for that is, in our attempt to not only be impartial but be seen to be impartial, as soon as an election is called, we cease doing any work or offering to do any work for any political parties. These figures I am quoting are for the financial year to June. To June 2010, we were doing not a lot in the second part of the financial year.
727. DAME DENISE PLATT: That takes you over the period of the election?
728. GLYN BARKER: Yes.
729. DAME DENISE PLATT: You say that you would normally decline to provide assistance in areas that were politically sensitive. You offered to give us some examples of that. Could you give us one?
730. GLYN BARKER: Yes, I can, if I cannot tell you which party it was or what specific project it was because of client confidentiality. But I will try and give you some examples.
731. For every piece of work that we do we have an engagement letter. The only part missing from the normal engagement letter is a fee, but in every other respect it is a very full engagement letter. Where we have secondments to the political parties, we will always, for example, have the clause in there that the secondee will not act as an ex-party representative or advocate to any political party activities but may attend non-contentious meetings, for example gathering or discussing data, but will not (in this particular case and on this particular project) attend meetings to discuss a policy for inclusion in a party's manifesto. So that is an example.
732. DAME DENISE PLATT: How do you monitor that? How do you know that that really happens in practice?
733. GLYN BARKER: How do you prove a negative? The first thing I would say is that another part of our control mechanism is that the people we put on these projects are usually extremely experienced. I would say and I honestly believe the people in PwC have not only professionalism but huge integrity, so if we explain the ground rules to them, they will comply with them. In all my years of looking at this and through this party liaison committee and monitoring the work that we do, we have never, ever had any allegation put to us by anybody of any partiality or anything going beyond the realms of the engagement letters that we write. We find that our clients on the other side, the senior politicians, understand the rules of engagement and they respect that because they know that if they did not we would not be coming back.

734. DAME DENISE PLATT: Would you be doing if your main competitors were not?
735. GLYN BARKER: Yes. We would probably prefer it if they were not. Yes, we certainly would.
736. DAME DENISE PLATT: What determines whether somebody goes on a secondment or you undertake a project? What is the nature of the difference?
737. GLYN BARKER: Very often it is the client or the political party determining that. Secondments tend to be for fairly routine manpower kind of labour assistance, some modelling, some number-crunching, just to provide resource to a team in a political party.
738. Projects tend to be more sophisticated. It may be that we are commissioned to do some economic analysis on the potential impact of regional development or differential growth rates in certain types of industry or what the impact on SMEs might be of different tax proposals or that sort of thing. They are quite comprehensive and detailed one-off projects which we would take on as a piece of work rather than just a direct secondee.
739. Secondees are under the control and direction of the client and we have nothing to do with what they do other than defining what they are not allowed to do and they tend to be much more straightforward pieces of support.
740. DAME DENISE PLATT: How long might a secondment last?
741. GLYN BARKER: I would have to go back and perhaps write to you. I am not aware of any secondments that are beyond certainly two years. I think in less than a month we would not be doing anything worthwhile. If you like, I can provide an analysis to the Committee.
742. DAME DENISE PLATT: If you work for two years in an organisation, it is actually quite difficult to maintain your identity with the organisation that you have left and you become very identified with the organisation you are in. How do you debrief people after a couple of years so that they are not part of the political party?
743. GLYN BARKER: For a start everybody in PwC is a person, much to the surprise of some people, and I guess most people in PwC will have political views and we do not seek to discourage that. People's own private views are up to them and they can be members of parties and all the rest of it. When we debrief people after a secondment, we seek to understand what they have done. We seek to understand very much what the party thinking has been and the thinking of the individuals that they have engaged with, just as you would imagine we would do for any assignment, whether it is for a month or two years. In fact, if it is a two-year assignment, we keep in fairly constant contact with the individual so they do not feel abandoned and we do have the

kind of constant feedback and the individual feels supported by the firm.

744. DAME DENISE PLATT: A sort of cheeky question, really. If you were banned from doing it, what impact would it have on your business?

745. GLYN BARKER: The immediate impact would be very limited. As you have seen, it is a tiny portion of our total investment in time and forgone fees. I think it would be harder for us and it would take longer for us to get behind policy and be able to advise our clients about it.

746. One of the simple things we do, just as an example of a piece of work that is almost routine now, is we analyse the implications of the Finance Bill after the Budget for the opposition parties. What is the impact on this sort of company and this sort of individual? We do all that analysis. If we were not permitted to do that, we would probably go and do it anyway for our clients but it would take longer and there would be more interpolation and guesswork behind it rather than being directly involved with the political parties in the discussions, so it would just be more difficult.

747. DAME DENISE PLATT: I am putting words into your mouth now. It seems as you discuss it that that process of analysis brings some independence to it. Is that part of what you would see yourself offering, an independent view of the information?

748. GLYN BARKER: We would always see ourselves as offering an independent view and very much a non-partisan view. One of the questions that was suggested to me was how what we do for the parties differs from what we do in the private sector. Apart from the obvious difference that what we do in the private sector normally has a fee attached to it, the other main difference would be that in some cases in the private sector we are partial and we will advocate our client's position in a takeover, for example, or helping our client articulate a strategy, helping our client position itself vis-à-vis a competitor and so on. We would never do that in this sort of work. We would not help a political party advocate its policy or even design its policy. All we would do is help the political party analyse the implications of its policy thinking.

749. DAME DENISE PLATT: There must be certain issues on which PwC itself has a view and wants to have legislation change or wants to have policy change or wants to advocate a particular position and you do want to have influence. How does that transaction take place?

750. GLYN BARKER: Yes. We do not do that through the mechanism of working for political parties. For example, if we have a view on tax policy and what might be helpful to get the SME sector working or manufacturing or whatever, we would provide a submission to the government to do that. We would not use it through this backdoor mechanism at all.

751. DAME DENISE PLATT: Only the government or would you brief all parties on that if you wanted a change in tax policy?
752. GLYN BARKER: We would probably actually communicate with all the main parties.
753. SIR CHRISTOPHER KELLY: You have quite a large volume in front of you. Are there things we have not asked you that we could usefully have asked you?
754. GLYN BARKER: The reason I offered to come to you is really to leave you with a message that we are hugely professional and independent and we try to be as balanced as best we can about what we do here. The balance is always difficult because it is always the party in opposition that wants us more than the party or parties in government, but over time we expect that will be balanced. We do see that there is a significant advantage, actually, eventually to good government and certainly to good policy formulation in the political parties being allowed to draw on the expertise of firms such as PwC, whether it be industry sector expertise or deep technical knowledge around tax or actuarial stuff. We have huge knowledge around the environment and all those sorts of things and we think that is beneficial to the parties, to society as well as to us through this mutual information exchange.
755. SIR CHRISTOPHER KELLY: Thank you very much. There were two pieces of information you offered. One was a very short note on the length of secondments and I think you volunteered to show us a project model that you used?
756. GLYN BARKER: Yes, we will send that to you, indeed.
757. SIR CHRISTOPHER KELLY: Thank you very much. That was extremely helpful.

RAY COLLINS (GENERAL SECRETARY, LABOUR PARTY)

758. SIR CHRISTOPHER KELLY : Mr Collins, thank you very much for coming. We have read your evidence with great interest. Is there anything you would like to say by way of introduction or should we just go straight on?
759. RAY COLLINS (General Secretary, Labour Party): Just very briefly, I did not want to make an opening statement.
760. SIR CHRISTOPHER KELLY: We discourage them, on the whole.
761. RAY COLLINS: Exactly. But I just wanted to say that the Labour Party is very happy to support and help the Committee in its work. Viable political parties are vital to the health of our democracy and equally public trust in political parties as democratic institutions must be improved.

762. I have been following the Committee's proceedings and following the evidence and also looking at some of the questions that you have been wrangling over. They are ones that I have thought hard about myself and they are difficult issues. There are no easy answers, which is the point I was going to make. Basically, what I want to achieve in all the dialogue that I have had is a consensus across the board that reflects the different traditions and background of political parties and reflects those differences and acknowledges those differences. I just hope that in your work and in our work in supporting you that we do not create or exacerbate existing imbalances in funding. But I do look forward to trying to help you.

763. SIR CHRISTOPHER KELLY: Thank you very much. We have also read the memorandum produced by Jack Straw back in July which you have referred to in your evidence. Reading that and your evidence now, it is not entirely clear to me what exactly you are proposing. Your letter of October talks a bit about how any proposal should do this and should do that. It is not entirely clear what it is that you think should be done or why indeed something needs to be done.

764. RAY COLLINS: I think the question about why something needs to be done is a valid question and I do not know if you have reached a conclusion on that. Clearly, you are taking evidence, but I do think that we need to ask the question: what is the problem? What are the issues that we need to address? I do think that we have lived through a period over the last ten years where Parliament has introduced a number of laws, regulations and institutions that I am not sufficiently confident have been given the fullest opportunity to actually deliver on what they have been asked to do. So my immediate reaction is to ask what is broken. Are we clear about what is broken? Are we satisfied that the things that we have put in place have had the best opportunity to deal with the issues?

765. SIR CHRISTOPHER KELLY: In your manifesto you say, "We believe that the funding of political parties must be reformed if the public is to regain trust in politics". That implies that the view of the Labour Party is that there are some things that are broken.

766. RAY COLLINS: There are issues about building public confidence and that is what I wanted to say in the correspondence. What I do acknowledge in my opening remarks is that we need to build trust. There have been incidents in the past where that trust perhaps has broken down. The principle that I believe is most vital to restoring that trust is transparency.

767. SIR CHRISTOPHER KELLY: But we have transparency and you are talking here about further reform.

768. RAY COLLINS: I am not satisfied that all the transparency issues have been fully met. There are still some outstanding issues. But in terms of further reform and building confidence, these are not easy questions to answer. If they were, perhaps we would have done something about it

ourselves.

769. There is a perception about the nature of spending and the income side but I also have concerns about the expenditure and the supply side. I know you have looked at what is called the arms race and I think that has created imbalances for the Labour Party. It has actually created quite difficult financial problems which over the last three years I have been totally focused on trying to resolve and put the party on a stable footing. I do not think it is satisfactory that political parties can get to that point and that is why I think there clearly is an issue about reform.

770. Do I think that there is a need for radical and revolutionary restructuring or do I think that there is a need for us to examine what we have and try and improve upon it? I think it is trying to improve upon the system we have and ensure that it works. The Electoral Commission itself in its evidence to you is making this point.

771. But one of the things that has always concerned me (and I know we tried to address it in 2009) is that the Commission has a role to advise and support and promote and as a regulatory authority it also has a responsibility to prosecute and punish. I think that tension can sometimes inhibit the relationship between a political party and the Commission. I will keep coming back to this point this afternoon. Political parties are voluntary organisations. All political parties operate with the activity and goodwill of ordinary people who give up their weekends and support their political parties. They also provide funds and try and organise fundraising and activities. I think that is something we need to understand, so I have always advocated a bit of proportionality in terms of how they understand the requirements of local parties and the requirements of lay people who are becoming increasingly burdened with quite heavy responsibilities. It is right that they have those. I am not saying that we do away with them. But it is about creating that balance.

772. SIR CHRISTOPHER KELLY: Indeed. Forgive me for pressing on this but going back to the manifesto commitment, the manifesto commitment was to reform. Am I to understand that when that commitment was written into the manifesto you did not have a specific set of measures in mind? What you have been describing to me are the issues, not the solutions.

773. RAY COLLINS: No doubt members of the Committee will come back with questions on this. We went through a period of seeking reform on a consensus basis. That certainly is where I stand. We went through a number of inquiries and there were issues that clearly needed to be addressed. I think the Act in 2009 attempted to address some of those issues but Hayden Phillips and the process that we went through there did not finally reach a consensus. That is a reflection of where we were then.

774. Where we are now, I think that there are issues that we need to address and there are concerns and we do need to build confidence in our political parties and the way they are financed and organised. But do I think it

is fundamental? Do I think that it requires radical solutions? I do not, personally.

775. SIR CHRISTOPHER KELLY: I understand exactly why you say that but in your letter you refer to donation caps which were a central feature of the Hayden Phillips proposals. What you say is, "While some argue for a cap of £50,000, a much lower cap of around £500 would be more equitable, democratic and less susceptible to avoidance". I understand that that is a statement of fact and not a proposal, but presumably it was said deliberately. If we were to go to a donation cap of £50,000 the implications for the finances of political parties would be quite serious, from what we understand. If we were to go as low as £500 the implications would be very serious indeed and quite a lot else would have to change. I am just wondering how consistent your line on a cap is with the other line that you are not looking for something major but you are looking to deal with things at the edges.

776. RAY COLLINS: My purpose is to help you in your deliberations. If the question of donation caps remains firmly on your agenda, I was trying to say that they are not without consequences. The consequences are not just simply that it will inhibit political parties. There is the issue if, for example, a £50,000 cap was introduced prior to the last general election and the Conservative Party received 225 £50,000 donations. Labour received 38, so immediately you can see that there would be a disproportionate effect.

777. Also, the other consequence of that is where that money would go. I know the Electoral Commission has raised it but I also feel concerned about it. Would it flow into third-party activities or people funding anti-campaigns rather than being very positive about what they stand for? The experience in the United States is that that is very likely.

778. The other thing that concerns me is how we build trust and confidence. If you impose regulations and requirements that actually may lead to further breaches, suddenly I think we will find ourselves in a worse situation. With a £50,000 cap and a relatively wealthy family who each gave £50,000 to a political party, would people see that as a breach or now following the spirit of the law? Would there be other ways of supporting, such as a commitment to give £50,000 every year for X number of years?

779. I think there are problems with it. If your concern is actually individuals giving money to a political party, if that is the problem, then the only way you are going to solve it is with something like a £500 cap. That is where you have to go. The consequence of that sort of level of cap (and every political party will tell you the same thing) is that parties could not function in the way that they currently function and would require other forms of funding.

780. SIR CHRISTOPHER KELLY: That is why I asked the question. If going down the route of a cap drives you for reasons you have explained very clearly towards a cap that is considerably lower than £50,000, then you are not in the world of making minor adjustments because that has very clear implications for things like state funding. I suppose what I am really interested

in is whether there is any set of solutions to the issue which is likely to meet the condition you have set in your manifesto that any changes should be made on the basis of cross-party agreement, which implies dealing with the trade union issue among other things, and widespread public support, which probably implies finding some way of justifying increased state funding?

781. RAY COLLINS: I do not know if it implies trade union funding or not. I may be old-fashioned but I think giving to a political party is a civic duty and not a crime. I think engagement in political parties is vital to our democratic life.

782. SIR CHRISTOPHER KELLY: I do not think anyone would argue with that. It is a question of the public acceptance of it.

783. RAY COLLINS: Does the public currently have a problem with the current regulatory regime? Does the public have a problem? It might assist me if you could say to me what you think over the last four or five years has been a major problem in the public's confidence in the way parties are funded?

784. SIR CHRISTOPHER KELLY: I asked you the question. You have a manifesto commitment to do something about it which implies that you thought there was a problem.

785. RAY COLLINS: I think we had a report and an engagement in the process that involved all political parties and that was a valiant attempt to seek a consensus. At the time of the general election, who knew what the time was? By the end, we were fairly certain when the date was. But there was a period when we were still supporting the principle of a consensus that was attempted by Hayden Phillips.

786. SIR CHRISTOPHER KELLY: If at the end of this inquiry we came to the conclusion that the consequences of accepting a cap at a level low enough to restore public confidence and avoid avoidance measures and so on were so great that the cure was worse than the disease and that nothing should be done, if that was to be our conclusion, does it follow that you would not be unhappy with that conclusion?

787. RAY COLLINS: I would want to support you in your work and I hope that the conclusions you reach are on the basis that you have examined every possible consequence. I am trying to say that a donation cap is not without its difficulties for all political parties. Of course, with Hayden Phillips there was also a discussion about other forms of funding and recognising or attempting to recognise the difference in traditions in parties. In particular, you have raised trade union funding. Of course, if a £50,000 cap simply unilaterally applied across the board and if you were to treat trade union money, for example, the same as an individual donation, which of course it is not because trade union is made up of individual contributions -- it is very important.

788. SIR CHRISTOPHER KELLY: I know it is very important and we will come on to it in more detail.
789. RAY COLLINS: I am not going to fall into the trap and say to you that these difficult questions can be treated in isolation. Therefore, if we are not able to sort of move forward together, I think the Committee's role is to look at those consequences and those issues of how we can improve the current regulation. We are focused solely on the income side of the equation. I am actually very concerned about the expenditure side of the question.
790. SIR CHRISTOPHER KELLY: I am sure we will come on to that, too. Thank you very much.
791. LLOYD CLARKE: Mr Collins, can I continue this conversation about donation caps? I would like the conversation also perhaps to enable us to understand a little more about the day-to-day operations and the cost of funding that for the Labour Party. I would like to talk specifically then about caps and some of the issues around those. I would like to ask you about the scope, if there is any, for reforming the relationship with the trade unions, recognising the point that you do make about being respectful of the different traditions. Then I would like to get on to some specific issues about affiliation fees, if I might. I can assure you that we will get on to expenditure and other colleagues will touch on that.
792. You do say in the written evidence that the introduction of a donation cap will have a significant impact on the ability of a party to raise funds needed to finance day-to-day operations. What does it cost to run the day-to-day operations of the Labour Party? Can you give us a feel for that to start with? That is of course why you want to raise donations.
793. RAY COLLINS: About £18 million a year but it is in our accounts. Your office has all the details of our income and expenditure in our published accounts, so whatever I say to you off the top of my head, please check.
794. LLOYD CLARKE: Is that for the central party and local parties too?
795. RAY COLLINS: No, I think that is another issue. Again, there are different traditions. Both political parties actually of course developed out of different federal structures. The Labour Party developed out of a federal trade union structure and then other affiliations came in including the independent Labour Party and socialist societies and then individual membership was allowed in 1918, which was based on constituency labour parties, in effect, affiliating. A little health warning on Labour Party membership is that prior to the 1990s it reflected a minimum level of constituency affiliation, so every constituency had to affiliate 1,000 people to get a vote at conference. Those traditions are there. Now constituency parties fund themselves. They raise money and fund themselves in most of their activity. In terms of reporting, most of them are under the threshold to report or submit accounts, so they are independent under the Act, independent accounting units that are below the

threshold to report to the Electoral Commission.

796. LLOYD CLARKE: Developing that to one of the key issues, you asked the Chairman, "What is the issue?" Is the public perception about large donations and donors that because of those large donations it exerts undue influence on the parties and therefore is the key issue that the anxiety over large donations might itself be sufficient to justify a cap? Would you have a view on that? That is the issue, is it not? It is the public perception.
797. RAY COLLINS: I do not know if it is the public's perception.
798. LLOYD CLARKE: Certainly the evidence we have been receiving is that it might not necessarily be hard facts about this or that but certainly the public perception is that large donors and large donations influence policy or can influence policy.
799. RAY COLLINS: I do not see any evidence of that and I have not seen any evidence that the public thinks that. What the public wants is to be able to trust their political parties. If there is a perception that something dodgy is going on, we need to address it. My view is that we should test that perception by being far more transparent. If everyone who gives to a political party publishes that, it is completely transparent. Is there evidence that there is a link between somebody's money and policy? At the end of the day (and you opened your line of questioning about Labour's manifesto), every political party puts a manifesto to the electorate. I think there is more an issue of trust and confidence about whether they comply with that manifesto than whether they wrote it on the basis of undue influence from financial contributions. I do not see the evidence. I think there are other issues that we have encountered in the past which we have had to address and we do need to build confidence about it. But tell me what evidence you have that says there is an issue.
800. LLOYD CLARKE: Certainly the evidence that we have is that the perception is there. The perception exists that large donations have the impact of influencing parties and that, therefore, is an issue to deal with. If that is the case, is that sufficient in itself to justify a cap, to win back the trust of the public?
801. RAY COLLINS: No, because the issue about the cap obviously has consequences. I have seen in evidence that people have debated a £100,000 cap, a £50,000 cap or a £20,000 cap. My point on the £500 cap is that if you are truly trying to ensure that by setting a cap you are definitely trying to control that income stream, the only really transparent and effective way is going to be a much lower cap. You will affect the public's confidence in the process if you set a requirement that is easily broken or brings the process into disrepute. That is the issue, the dilemma we all face. By trying to put something right, we have the complete opposite effect. That is the point.
802. LLOYD CLARKE: I was going to ask you whether you thought the thresholds act as a de facto cap but interestingly, in the opening exchanges, you also said you felt there were still some outstanding issues about

transparency. Can you unwrap what those outstanding issues might be in respect of transparency a little more for me, please?

803. RAY COLLINS: At the end of the day, there still remain organisations that can contribute to political parties; associations for example. There are also issues about accumulated donations and how they come about. There is also the current situation about company donations and when we started this round of reforms, the principle was political parties and I agree with this principle absolutely 100%. There should be finance and support from within the country. There are those issues that clearly need examining and improving upon and addressing.

804. LLOYD CLARKE: Can I ask about the notion of a £500 cap? That is quite significant; I think you accept that, although it is something you propose might be a way forward. Without affiliation fees, could that level of donation ever sustain the Labour Party?

805. RAY COLLINS: No.

806. LLOYD CLARKE: So if we were mindful to think of a cap in that kind of order, what is the transition leader to get to that level so you can adjust in terms of the income you are going to receive from wherever it might come?

807. RAY COLLINS: If your work solely concentrates on the income side, then you would have to, as Hayden Phillips suggested, address some form of state funding. We do have state funding now, quite substantial state funding in different ways. In fact, political parties have had state funding for many, many years; well before the short money.

808. We do not often talk about that support but you need to bring it into your equations and if you focus solely on the income side and do not address the expenditure, then further substantial, additional state funding would be required. I am not going to advocate that because, in this current climate, there would be huge political problems with that. I am just saying that if there is quid pro quo, if you are going to support a donation cap, any cap you set is going to affect income. If you set a £50,000 cap without any other action, you know it is going to disproportionately affect the Labour Party.

809. If you are going to be reasonable, if the purpose of the cap is to ensure equitable and democratic process that cannot be subject to abuse or avoidance and if you want to build confidence, then a very low cap is necessary. That is the point I make.

810. LLOYD CLARKE: Thank you. You also say two things in your evidence. Clearly any reform of the system requires a cross-party consensus and also must be respectful of the different traditions and backgrounds of each of the parties. In that regard, can I ask you if it was in the interests of a wider deal; was there any scope at all for reforming the relationship between the Labour Party and the trade unions?

811. RAY COLLINS: In the context of Hayden Phillips, the Labour Party did reach the basis of an agreement or consensus; although the problem is that the consensus did not last beyond one meeting. As soon as one party left, that consensus broke and obviously they talked to somebody else. Of course, even within the Labour Party, I would have to be frank. You have heard evidence from trade unions themselves and the body representing trade unions. The Hayden Phillips' proposals are not without their own controversies and, at the end of the day, trade unions are very proud of their independence. They are independent of the Labour Party and they are adjunct to their purpose in life. I think it is very important to understand that their purpose in life is to support their members and look after their members and they see an element of that, an important element, is to be able to campaign politically which includes supporting the Labour Party.
812. LLOYD CLARKE: Am I right in my assumption that in actual fact, where that consensus broke down with Hayden Phillips was around the issue of affiliation fees and that really was the stumbling block to reaching consensus?
813. RAY COLLINS: No. I think the consensus on Hayden Phillips was there between the Liberal Democratic Party and the Labour Party. The Conservative Party had the problem.
814. LLOYD CLARKE: All right but it is clear to acknowledge, is it not, that affiliation fees is an issue and I wonder how you feel that should be addressed?
815. RAY COLLINS: No. It is an issue solely in respect of if you are going to put in a cap, what is the impact on other traditions and other funding? Are you going to say that a £50,000 cap from an individual is the same of the totality of the support to the Labour Party from trade unions? Hayden Phillips clearly recognised there was a collective relationship through affiliations that was not simply donations. He drew a distinction between something that could be decided by union executives and something that was decided by either the constitution or the policy of the union that required affiliated membership.
816. LLOYD CLARKE: In that context then, could I read to you a couple of sentences of evidence we heard earlier in the day which says this about affiliation fees:
817. "In respect of trade unions, there is a strong link between their donations of policy positions taken by the Labour Party. Unions do not simply pass on monies raised from their members. They aggregate the money and make very large donations using the financial leverage this gives them over the party to exact direct policy influence."
818. Do you recognise that?

819. RAY COLLINS: No, I do not recognise that. I think there is a fundamental problem where other people are commenting on trade unions simply in terms of their relationship with the Labour Party. Trade unions' right to campaign politically was fought over; a hard won right, and it was subjected to change after the 1926 general strike and then put back, but the 1906 Act and all that flows from it allows trade unions to spend part of their contribution raised from their members on political purposes. That means they might include a fee relating to the Labour Party in supporting local Labour Party candidates. It might mean they will affiliate locally, regionally, nationally. Their members will be engaged in the party. From 1900 to 1918, individual membership was first allowed. Prior to that, all membership of the Labour Party was through the trade unions.

820. LLOYD CLARKE: Do you not accept that through those affiliation fees, there is clearly the opportunity, the desire for the trade unions to influence Labour Party policy?

821. RAY COLLINS: I put it another way. I am very positive about this. I want trade union members engaged in Labour Party policy. I believe having millions of people engaged in developing policy and electing leaders throughout that process is a very important part of civic society. Do I see it as a commercial transaction? No, I do not. It is not a commercial transaction. Do trade unions provide additional support beyond their affiliation fees to the party? Yes, they do and if you look at the donations from trade unions, in the main, you can see it is clearly linked to general elections. It is not linked to the parting of particular policies. They affiliate their membership on a regular basis and engage with the party at every level through policy making and they then support the party through donations to support elections. The Labour Party will constantly look at ways of improving that. At the moment, we are looking at reform in the party to try and improve engagement. I would like to see better engagement of Labour voters in the Labour Party. I have always been a campaigner since 1970 who felt that every Labour vote was something to value and required us to engage and ask for more.

822. LLOYD CLARKE: Can I test you just a little further? You say this is not a contract relationship between the trade unions and the Labour Party. Can you give me your interpretation then, please, or help us to understand what our interpretation should be of the Warwick Agreement because there was clearly an expectation from unions there to influence Labour Party policy. Therefore, is that not the impact of affiliation fees on overall Labour Party funding that relationship in terms of that donation, affiliation fees provided to the Labour Party for them to do something in return for it? That is how you could interpret the Warwick Agreement.

823. RAY COLLINS: I do not think you can interpret that way. The language you are using suggests you think there was an agreement signed at Warwick between trade unions and the Labour Party.

824. LLOYD CLARKE: No, I am not saying that. What I am saying is implicit in that was this agreement of this relationship? I am not saying it is

bad; I am not saying it is good or bad. I am just saying what is your interpretation of it?

825. RAY COLLINS: There are some political parties that constantly wish to say, "Labour is in the hands of the trade unions. Labour is the trade unions". Some people might say the Conservative Party is in the hands of business or business supporters. At the end of the day, the one thing I cannot hide, will not hide, but will defend, is the fact we have millions of ordinary working people engaged in the Labour Party on a voluntary basis and that is the relationship that is worth building upon and extending. The Warwick Agreement is not a Warwick Agreement. What it is, the Labour Party has a policy process that engages at local level with communities and trade unions, it engages at regional level, it develops a rolling programme, it goes to a national policy forum which is thrashed out with representatives of all sections of the party including socialist societies, the SMA and others, and they thrash out a programme from which we draw our manifesto. That is an exercise in engagement and democracy I would support 100%. It is not some backroom deal that is signed, "Well, here's my money; give me my --"

826. LLOYD CLARKE: I understand that and I was not suggesting it was that situation.

827. RAY COLLINS: I think it comes back to this general role of the Committee about building confidence in our political parties. I do think having that engagement from rank and file members, having those opinions, collective views expressed is really important and it is part of our democracy. People who give to political parties do so because of their values and their belief as a civic duty. I know a lot of people who give their time and money as a proportion, a donation to their political party far greater than the £1 million donations that are made.

828. LLOYD CLARKE: Can I ask specifically about the affiliation process and contributions to unions' political levees? Should that be more transparent? Clearly I am talking about the notion of opting in rather than opting out and the discussions around that.

829. RAY COLLINS: I do have to come back to this point that political funds are highly regulated, constantly monitored and registered by the certification officer. There is provision within those political funds. Each of those unions that have a political fund have to register their rules with the certification officer, get approval for those rules and then all the expenditure is subject to annual monitoring.

830. LLOYD CLARKE: Recognising all that and the regulatory regime that is around this --

831. RAY COLLINS: How can it be even more transparent? Every individual member has a right not to pay that element of their subscription to political purposes and, therefore, they get a refund if they do not want to

spend it on political purposes.

832. LLOYD CLARKE: But again, it is opting out rather than opting in. It is a political process rather than the beginning of it.

833. RAY COLLINS: As I said before, that right of unions to campaign politically; if you see the relationship or see political funds solely as a Labour Party contribution, it might lead you one way but (1) they are not and (2), trade unions are independent organisations. They have gone through a rigorous process of establishing the political fund in the first place, which requires a ballot, they are balloted every ten years to maintain that political fund, every rule book and every notice has to publish the requirement if you do not wish to pay and the test of that, if you think something dodgy is going on about people contracting out, then look at the figures, look at the numbers. There are a lot of people who actually do contract out. In the biggest union, I think it may be 40%. Evidence does not support there is a problem there. One final point; contracting in was a highly political thing between 1926 and 1945. No one has attempted to change that since; no one, not even Margaret Thatcher.

834. LLOYD CLARKE: A final question of you and your reaction to this. In oral evidence, Lord Levy remarked that the only way to solve the trade union issue was for the unions to act as a post box for donations to any political party. I wonder what your reaction to that view is, please.

835. RAY COLLINS: It implies a passive relationship. I cannot change, nor do I want to change the way the Labour Party has developed. In fact, some of the things we want to look at are how we can better engage with the millions of people who make some form of contribution to the party, better engage beyond what we are doing at the moment. The relationship between affiliated unions and the party is governed by our own rules and our own processes and heritage. It is a vital point here. Are you saying the state should govern the rules of political parties and decide how political parties should develop their policies and engage with their membership? If you are saying that, you are going down a road that is very, very dangerous. In effect, some of the comments you may have had in evidence have not taken account of that. They are just seeing it purely as a commercial relationship and it is not.

836. LLOYD CLARKE: Thank you.

837. SIR DEREK MORRIS: Good afternoon. In a moment, I promise you I am going to ask about expenditure, but I did just want to ask you two ancillary questions following the discussion you have just been having. I really want to put two points to you and ask for your comment. The first is this. Would you accept or not accept there might well be a connection, a close connection, between two issues you have just been discussing; one being the opt in, opt out question and the other being whether the cap should apply to trade union donations? What that is getting at is this. We kicked off this Committee really looking at possible public concerns about wealthy individuals perhaps buying honours and access and influence. Others have come back with concerns that maybe trade union leaders have undue influence through the political

expenditures they control but we have had evidence that if the trade unions really are acting as representatives of large numbers of individual members and that the monies that are passed across to the Labour Party really are an aggregation of these small sums, then it would be perfectly legitimate to have, for example, a £50,000 expenditure cap on individual donations but not on trade union monies because they are an aggregation. That might only work if one could be absolutely certain that the individuals making those contributions, which are then aggregated up, have taken a very clear and conscious decision that they wish to support the Labour Party such as would arise if they had to opt in but which perhaps does not occur because of inertia if it is an opt out. My question is do you think they are connected, and if they are, I might remind you this is a world in which the regime changes to opt in, but then, these caps, if there are to be donation caps, did not apply to trade union donations?

838. RAY COLLINS: At the end of the day, I come back to the point I made originally that the political funds set up by trade unions are set up and approved by outside of the Labour Party constitution processes, so the legislative framework they work in. It is not governed by the relationship with the Labour Party at all. It is about trade union constitutions and trade union democracy that you addressing. The fact of the matter is it implies that allowing your contribution to contain a political fund element is somehow secret and people are not really aware of what is going on. That was addressed in the 1980s because every trade union had to conduct a political fund ballot to retain it and it is still there every ten years.

839. The other thing on the positive side is trade unions in that time, and I think Margaret Thatcher created things she did not perhaps intend to happen, but trade unions became aware of the need to more positively engage with your members on the political funds because they had to go in the political fund ballot; they engaged in it. The other thing is, as a consequence of affiliating to the Labour Party, every levy payer, particularly recently, received a ballot paper from the Labour Party saying, "As a levy payer, you are entitled to participate in determining the future leadership of the party". I do not think there is any evidence that there is any sort of are individual members being hoodwinked or subjected to some sort of hidden relationship; they are not. If you go down the road of legislating on the political funds, you are changing the constitution of trade unions and that is something trade unions perhaps will feel very sore about particularly as it is a right they have been able to maintain uninterrupted and unamended since 1945.

840. SIR DEREK MORRIS: I certainly did not use the word "hoodwinking", I would not want to suggest that, but I did use the word "inertia". The sort of evidence would adduce is, I understand in Northern Ireland, there is an opting in arrangement and there, as opposed to here an 8% opting out, there is something like 38% opt in, so that would suggest there is a very substantial amount of inertia, would it not?

841. RAY COLLINS: No, I do not think so because there are higher levels of opting out and I think people do respond in their own way and there have been

campaigns that have been run by other political parties that felt this was an issue. They have not had much effect. If there was inertia, then I do not think we would have 40% contracting out that we have in some of the big unions at the moment. There are quite high levels of contracting out. This is an issue that concerns trade unions and they are better placed to make the point. Obviously I spent most of working life working for trade unions, so I am familiar to these things, but I would say it is a radical change in the constitution of trade unions; it affects their ability to campaign politically and trade unions do more than simply affiliate to the Labour Party when they campaign politically. They are better placed to explain that to you.

842. SIR DEREK MORRIS: One last question on that. The evidence we have had, subject to checking, is that the average turnout on a ten-year ballot is about 27% and by last year, the proportion of union members who voted Labour was 39%. Do you think it is a legitimate concern of the people or not that trade unions can, nonetheless, provide a very substantial proportion of the Labour Party's financial support on the basis of their membership given those two statistics?

843. RAY COLLINS: I think it comes back to the fact that the Labour Party's roots and constitution were founded by the trade unions and it is not something I want to hide. When we seek the mandate of the public, do we say this is a trade union manifesto and money is going to be delivered for trade union members? We do not. We reach out to all the community and we reach out to all voters. I know that supporting the political levy and engaging within the Labour Party would not necessarily guarantee their vote at the end of the day; other considerations may come in.

844. I come back to this point that are we going to resolve what I am not sure we have a huge amount of evidence of which is this lack of trust in the public in the way the parties are funded by then disrupting 100 years of evolution and development which is still going to be developed and improved upon? Are we going to cause that huge upset and will we end up improving public confidence? It comes back to this point about transparency. How trade unions raise their political funds and get approval for them is obviously subject to other legislation and it is absolutely regulated and transparent. Trade union affiliations to the Labour Party and donations to the Labour Party are absolutely transparent. If the public want to believe Conservative propaganda that results in the Labour Party being the prisoners or under control of the trade unions, then the Conservative Party makes that point and tried very hard to make that point before the general election.

845. SIR DEREK MORRIS: I turn to expenditure because in your written evidence, you say that is the starting point and indeed, this afternoon, you emphasise the significance tighter controls of expenditure play. My first question is, as we understand it, the last year's general election, none of the parties came that close to reaching the expenditure limit.

846. RAY COLLINS: We certainly did not.

847. SIR DEREK MORRIS: Yes and the Conservatives were nearer to it but they were still some way off, so I suggest there is not a problem. Is that wrong?
848. RAY COLLINS: No. I said we have not dealt with the expenditure side. Is expenditure limits the only tool you have? No, it is not because even before PPERA, there is the Representation of the People Act; there are all kinds of limits on local expenditure and what you can spend your money on and what you cannot spend your money on. There is an issue the Electoral Commission is also focused on. We are facing a very different world at the moment. When I first became General Secretary of the Labour Party, in the following year, we faced the European elections, then we faced the general election and now we face the elections in May including Welsh Assembly, the Scottish Parliament and local government elections. The cycle is every 12 months there is a national election and you lay on that the referendum that has taken place and other local referendums relating to Mayors which are taking place. If there are further reforms from the government about other elected officials, then there is certainly something for you to look at in terms of expenditure.
849. SIR DEREK MORRIS: If we do address that, given what you have said, do you think we ought to be looking at some sort of regime where one would say in a year where there is a Westminster election, there is this cap, in the year when there is an European election, there is a this cap, a different cap, if there is a referendum, that is another cap; and maybe also just an annual cap quite separate from elections that would be covering general party --
850. RAY COLLINS: Again, what is the problem you are trying to solve? Another thing in the Labour Party's manifesto, which you might remind me of, is fixed term parliaments; the five-year fixed term or the four-year term. I certainly prefer four years but the fixed term parliaments will certainly help regulate spend and there is a case to look at that. In the past, it was quite a primitive mechanism to just simply roll back 365 days from the date of the general election. There is a lot of expenditure parties do which is not currently part of the limits. There are issues there to look at and I think it is something that may need reforming. I think the Conservative Party spent nearly twice as much as the Labour Party in the last general election.
851. SIR DEREK MORRIS: That is about right.
852. RAY COLLINS: Yes; quite an imbalance.
853. SIR DEREK MORRIS: That seems to reflect income constraints rather than anything to do with expenditure limits.
854. RAY COLLINS: Yes, it does. There were consequences of the income constraints on the Labour Party which was my determination to ensure we delivered more bang for our buck, as I say, and that meant focusing on building local organisation, engaging activists in a way that there was a

perception that somehow political activity at local level is something in terminal decline. I do not accept that. For example, the Conservative Party spent a substantial sum of money on posters and poster sites. We did not spend any and that was a priority, a constraint on us. I think we have been part of a spending escalation which needs to be examined and brought under control. Parties have a responsibility to think hard about that. I do not have all the answers.

855. SIR DEREK MORRIS: Thank you.

856. DR ELIZABETH VALLANCE: You have been very patient with us, so I shall just ask you a couple of very quick questions at the end; things we have asked other people. Fairly uncontentious; state funding. You have not said in your evidence whether you are in favour or against state funding. How would you feel about that if it were to plug a gap which was left if we had expenditure caps or donation caps?

857. RAY COLLINS: State funding has existed for some considerable time and all political parties --

858. DR ELIZABETH VALLANCE: I am talking about on top of existing state funding.

859. RAY COLLINS: Extending state funding, in the current climate, is a difficult issue for the government and political parties to address.

860. DR ELIZABETH VALLANCE: But is that just pragmatic because of where we are now or do you have a principled objection?

861. RAY COLLINS: No; I cannot have a principled objection because the parties have all benefitted from quite a range of state funding. People forget also that in addition to the original short money and the extension of short money and other forms of state funding in terms of policy development, and parties engage in other things for which they get public money support and historically, and this is another issue, for national elections, we get a free post; not an insignificant sum of money I might add, which the Home Office always look at. I think that is something contributing to the process and supporting political parties in engaging with the electorate. That has to be a good thing to keep that.

862. DR ELIZABETH VALLANCE: So you would not object but you think it is probably not the time.

863. RAY COLLINS: I think it is going to be very, very difficult for any government to return to a large owned state funding at this moment in time.

864. DR ELIZABETH VALLANCE: Thank you for that. Just finally on third parties, you have alluded to the possibility of third parties if there were donation caps; this might be a way round, as it were. Obviously some trade unions are registered as third parties in relation to the Labour Party. Do you

think this practice should be stopped? Do you think people should be allowed to register and be contributors?

865. RAY COLLINS: I am not sure I understand the question.

866. DR ELIZABETH VALLANCE: It has been suggested one should stop the practice of having trade unions that fund the Labour Party registered as separate third parties.

867. RAY COLLINS: A lot of the trade unions that register as third parties do so because they have political funds that are not supporting the Labour Party and, therefore, they want to use their political funds for political purposes which might include issues around elections. I think you will find that no affiliated political fund would register as a third party.

868. DR ELIZABETH VALLANCE: I do not think that was our information but we will pursue that one. Thank you very much.

869. RAY COLLINS: I think you will find that is the case.

870. SIR CHRISTOPHER KELLY: Just a point of clarification; you made clear that while a deal might have been on the table at the time of the Hayden Phillips' discussions, one should not assume it would be easy to sell out within the Labour Party. I think that is what you said or implied and if you did not, then other people have said it. You do not need to respond to that.

871. RAY COLLINS: I would answer yes.

872. SIR CHRISTOPHER KELLY: If the same deal was on the table now, or at the end of this process, would it be sellable to the Labour Party in relation to trade unions?

873. RAY COLLINS: I do not think it would necessarily be easy because it is about all the other elements of the deal. I think I come back to this fundamental principle; moving forward on a consensus basis with all political parties is essential and we have to recognise the different traditions. I know these questions are incredibly difficult for you but we have to look at all the other consequences. Personally, I think the changes we made to the Electoral Commission and the regulation and the new responsibilities the Electoral Commission has is going to substantially improve things and build confidence in the process. What more we need to do is not certain.

874. SIR CHRISTOPHER KELLY: Thank you for those words of encouragement. Is there anything else we ought to have asked you in order to take your advice?

875. RAY COLLINS: No, I do not think so.

876. SIR CHRISTOPHER KELLY: Thank you very much; extremely helpful. That concludes the hearing for this afternoon.

