



## In Focus

### Party Funding: Summary of Developments in 2016

Political parties fund their activities through a variety of sources including public funding, such as policy development grants, Short money and Cranborne money, and through sources such as donations, loans and membership fees. The issue of reform of political party funding is a contentious one, and there have been various attempts at reform in previous decades. The House of Commons Library briefing [Political Party Funding: Controversies and Reform Since 1997](#) (24 March 2016) provides a history of this issue. This Lords Library briefing gives an overview of recent developments in advance of the debate in the House of Lords on 3 November 2016 on what plans the Government has for further reform to party funding.

The [Conservative Party Manifesto 2015](#) stated “We will continue to seek agreement on a comprehensive package of party funding reform”.<sup>1</sup> The Labour Party and the Liberal Democrats also committed themselves to further reform of party funding in their respective 2015 manifestos.<sup>2</sup> Since the 2015 general election, the Government has introduced two measures which have been seen to relate to party funding. The Trade Union Bill, introduced in the 2015–16 session, included provisions which Labour argued would have a significant impact on their party resources.<sup>3</sup> The Government’s position was that the proposals in the Bill were about transparency in union activities, and not about party funding.<sup>4</sup> The Spending Review and Autumn Statement 2015 proposed a reduction of Short money and the policy development grant available. These measures are discussed in greater detail below. In a recent debate regarding public institutions, Baroness Chisholm of Owlpen, answering for the Government, stated that on party funding, “the Government cannot impose consensus on the political parties but we are open to constructive debate and dialogue on how we can further strengthen confidence in our democratic process and increase transparency and accountability”.<sup>5</sup>

In August 2016, Lord Bew (Crossbench), chair of the Committee on Standards in Public Life, wrote to the Prime Minister and leaders of the main political parties in England, Wales and Scotland, asking them “to re-convene cross-party talks to look again at possible reforms to bring greater integrity into the funding of political parties”. He noted: “In the absence of cross-party consensus for wholesale reform, the Committee remains interested in exploring smaller reforms”.<sup>6</sup>

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#### Trade Union Act 2016

The Trade Union Bill, as introduced, included provisions requiring trade union members to opt-in to payments to trade unions’ political funds, rather than opt-out, as was the existing practice. The House of Lords voted on 20 January 2016 to establish a select committee to scrutinise the effect of these two clauses on political party funding. The Committee [reported](#) on 2 March 2016. On 16 March 2016, the Bill had its report stage in the House of Lords. Lord Burns (Crossbench), who had chaired the committee, moved an amendment which was broadly in line with the Committee’s recommendations. It would have the effect of limiting the opt-in process to new, rather than existing, union members; increasing the transition period to an opt-in system for new union members from three months to a minimum of twelve months and no longer requiring trade union members to be required to renew a

decision to opt-in every five years, as proposed in the Bill. The Lords defeated the Government, voting in favour of the amendment by 320 to 172.<sup>7</sup>

During the Commons' consideration of the Lords' amendments on 27 April 2016, the Government proposed amendments that corrected "some legally defective drafting in the amendment tabled by Lord Burns", but reflected the Committee's recommendations on opting-in.<sup>8</sup> The Government amendments were agreed to without division, and the Lords did not insist upon their own. The Bill received royal assent on 4 May 2016. Section 11 of the Trade Union Act 2016 deals with opt-ins to payments to trade unions' political funds; this section of the Act has not yet been commenced.

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## Short Money and the Policy Development Grant

Short money is funding to support opposition parties in the House of Commons. The Government announced its intention to reduce Short money allocations by 19 percent in the Spending Review and Autumn Statement 2015. It also stated its intention to reduce the policy development grant by a similar proportion, "ensuring that political parties in receipt of taxpayer-funding contribute to the savings being asked of local and central government".<sup>9</sup> Several members of opposition parties expressed concerns regarding the proposals<sup>10</sup>, and a [consultation](#) on the proposals was issued on 18 February 2016.

On 17 March 2016, the then Leader of the House of Commons, Chris Grayling, announced that a motion relating to Short money would be considered on 23 March 2016. This was tabled on 21 March; on the same day as a [written statement](#) regarding the effect of the motion. Amongst the changes proposed was a move from the retail to consumer price index for annual indexation of Short money and new transparency requirements for that money. In addition, the representative money scheme would be amended to mirror the changes to Short money and policy development grants would remain frozen. The proposals were agreed on 23 March 2016.<sup>11</sup> The House of Commons Public Administration and Constitutional Affairs Committee is currently conducting an inquiry into Short money.<sup>12</sup>

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## Further Information

- House of Commons Library, [Political Party Funding: Controversies and Reform Since 1997](#), 24 March 2016; and [Short Money](#), 22 March 2016
- Committee on Standards in Public Life, [Political Finance in Britain: British Party and Parliamentary Candidate Expenditures and Funding 2010–2015](#), August 2016

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<sup>1</sup> Conservative Party, [Conservative Party Manifesto 2015](#), April 2015, p 49.

<sup>2</sup> See: Labour Party, [Labour Party Manifesto 2015](#), April 2015, p 63; and Liberal Democrat Party, [Manifesto 2015](#), April 2015, p 131.

<sup>3</sup> [HL Hansard, 20 January 2016, col 765](#).

<sup>4</sup> House of Lords, '[Written Question: Labour Party: Finance](#)', 8 January 2016, HL4551.

<sup>5</sup> [HL Hansard, 30 June 2016, col 1722](#).

<sup>6</sup> Committee on Standards in Public Life, '[Letter from Lord Bew to the Prime Minister](#)', 4 August 2016.

<sup>7</sup> [HL Hansard, 16 March 2016, cols 1865–8](#).

<sup>8</sup> [HL Hansard, 27 April 2016, col 1505](#).

<sup>9</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#), November 2015, Cm 9162, p 76.

<sup>10</sup> [HC Hansard, 11 February 2016, cols 1737–46](#).

<sup>11</sup> [HC Hansard, 23 March 2016, cols 1714–16](#).

<sup>12</sup> House of Commons Public Administration and Constitutional Affairs Committee, '[Short Money](#)', accessed 28 October 2016.

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